

Bromsgrove District Council

Statement of Accounts for the year ended 31 March 2020



Bromsgrove
District Council
www.bromsgrove.gov.uk

Parkside, Market Street, Bromsgrove, Worcestershire B61 8DA

tel: (01527) 881288

Bromsgrove District Council

Statement of Accounts for the year ended 31 March 2020

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Bromsgrove District Council

Financial Statements for the year ended 31 March 2020

Narrative Report

Introduction

Bromsgrove District Council's financial performance for the year ended 31 March 2020 is as set out in the Comprehensive Income & Expenditure Summary and our financial position is as set out in the Balance Sheet and Cash Flow Statement.

These financial statements have been prepared in line with the Code of Practice on Local Authority in Accounting the United Kingdom 2019/20 (the Code). It is the purpose of this report to explain, in an easily understandable way, the financial facts and performance in relation to Bromsgrove District Council.

Overview

The COVID 19 pandemic has had a considerable impact on the Council. The Government lockdown, announced on 20th March 2020, forced local businesses to close and had a significant impact on the local economy. In turn this has had a major impact on the Council's income streams whilst providing services to our community comes with additional cost pressures.

The pandemic has not had a dramatic impact on the financial outturn for 2019-20 as the lockdown and impact came midway through March. The impact on Council finances will be felt during 2020-21, as the effect of lockdown and continuing efforts to support the community and local businesses is expected to stretch Council resources. The Council is expecting substantial losses across many of its income streams, including planning fees and licensing fees.

It is difficult to quantify the impact of COVID 19 at this stage with any certainty, but the financial pressure on the Council will be substantial, even taking into account the Government's emergency funding. As a substantial part of the Council's budget is reliant on fees and charges it will be exposed to the anticipated downturn in the local economy further pressuring budgets. The Council is currently working through the Income Compensation Scheme to ensure all eligible grants are claimed.

The Council has limited reserves in place which will help to mitigate some of the anticipated impact of the reduction in income on budgets. As the pandemic progresses, and the area enters the recovery phase, the Council will be reviewing its methods of working, the impact on the Council Plan and service delivery to ensure that maximum value is being achieved from reduced resources and as much support as possible is given to local businesses and residents.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuation(s) is / are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of [this property] under frequent review.

As such the Council has used the valuations provided by its valuers but intends to review these when circumstances are more stable.

In addition to the pandemic, there is at present no agreement in place with regards to the UK leaving the EU. The end date for the transition period is 31 December 2020 which has the potential of causing another economic shock. At present it isn't possible to quantify any potential impacts with regards to this as it is unclear if agreement will be reached or not at this point.

Despite these significant events and uncertainties, the Council is confident that it is a going concern and the accounts have been prepared on this basis. In making this assessment the Council has considered its current and projected positions against the regulatory and control environment applicable to the Council as a local authority. The Council has made significant improvements in its finances since last year. This is demonstrated in the financial statements with the increase in reserves and further detail being given in the narrative report. The Council is constantly reviewing its medium term financial plan in light of changes in the wider environment and will revise this as necessary.

The budgets set for 2019/20, as with previous years, were challenging but as the Council was aware of the need for additional savings in future years, there has been a prudent approach to spending and a commercial approach to attracting income. This has enabled a surplus to be created, thus allowing the Council to increase working balances and reserves with the aim to provide much needed funding to economic recovery across the District.

Strategic Priorities

What matters: Bromsgrove District Council is committed to providing residents with effective and efficient services that not only meet their needs but understand them as well. Through considering what really matters to our residents we have developed six key priorities, supported by six strategic purposes. Working to these purposes will help us to understand the needs of the District and how, together with our partners, we can improve the lives of our residents and the prospects for Bromsgrove District as a whole.

Key Priorities 2018-2020



Strategic Purposes



Strategic purpose: Help me run a successful business

What matters:

- Encourage local business and inward investment
- Create a more vibrant Bromsgrove Town Centre and flourishing local centres
- Improve connectivity within Bromsgrove (Digital and Transport)
- Invest in our local workforce by supporting training and apprenticeships

Strategic purpose: Help me to be financially independent

What matters:

- Develop education and skills to sustain financial independence
- Support communities during changes to welfare and benefits
- Support residents to reduce levels of individual debt
- Support reductions in winter deaths and fuel poverty
- Support the provision of affordable housing in the District to meet the needs of the community

Strategic purpose: Help me to live my life independently

What matters:

- Help and support the vulnerable
- Promote independence and reduce social isolation
- Help people to be fit and well
- Strengthening and supporting families and individuals

Strategic purpose: Help me to find somewhere to live in my locality

What matters:

- Support the development of appropriate and affordable housing in the district
- Assist in making the best of all housing across the district
- Prevent and respond to homelessness

Strategic purpose: Keep my place safe and looking good

What matters:

- Help support and create communities where people feel safe
- Look after our district to provide clean and tidy streets and open spaces
- Protect and enhance the environment spaces

Strategic purpose: Provide good things for me to see, do and visit

What matters:

- Provide a leisure, cultural and arts programme for the whole district
- Create a more vibrant Bromsgrove Town Centre and flourishing local centres
- Help people to be fit and well and reduce social isolation

Financial Outlook

The Medium-Term Financial Plan 2020/21 - 2023/24 was approved by Council on 26th February 2020 and provides the framework within which spending decisions can be made. The plan addresses how the Council will provide financial funding to the Strategic Priorities and ensure residents receive quality services to meet their needs in the future.

When reviewing the budget projections consideration is made of the impact of demand on service and the costs associated with this demand. This may result in additional costs (associated with maintaining current service delivery) or reductions in anticipated income revenue over the next 4 years.

There continues to be considerable pressure facing the Council over the next 4 years as a result of a number of issues including:

- Budgetary pressures such as pay inflation, revised pay structure, increased contract costs, funding the capital programme
- Potential further reductions in New Homes Bonus Grant
- Impact of the Localisation of Business Rates scheme which is now deferred to 2021/22
- Impact of the fair funding review which is due to be implemented in 2021/22
- Impact of Covid
- Impact of the United Kingdom leaving the European Union

National pay agreements are now running at 2% and this has been applied in 2020/21, future years have been assumed at 1%. There are also increased costs associated with transport advice for the local plan, supporting communities by using the libraries more effectively, contract prices, unavoidable cost pressures and the impact of the capital programme that have been added to the plan.

The new homes bonus for 2020/21 has been confirmed at £1,774k which was £589k higher than the amount anticipated. Maintaining the new homes bonus income is dependent upon the number of new homes built in Bromsgrove and possible changes to the formula by the Government.

Bromsgrove in common with virtually every other Council in the country signed up to the Government offer of a four-year funding settlement. This brought more certainty to the funding figures but not complete certainty or protection from changes to the funding levels. The medium-term financial plan excludes any negative revenue support grant.

In 2021/22, it is anticipated that there will be a reset of business rates. Since 2013/14, Bromsgrove has been able to retain a proportion of the local business rate growth. The impact of the reset is uncertain as it will depend on the level of growth in Bromsgrove compared with the national position. It is anticipated that an average growth would result in a neutral impact, but further details are still to be received on this. Bromsgrove is in the Worcestershire Business Rates Pool to maximise the income available.

The fair funding formula will also be introduced in 2021/22. This will attempt to calculate the amount the Council needs to spend. It is important because the amount of tariff adjustment the Council will be required to pay to the Government will be based on this formula.

The main source of income continues to be Council tax and the Government continue to allow Councils to increase Council Tax 2% or £5 per annum without a referendum. In 2020/21, the Council tax increased from £223 to £228.00, £5. The medium-term financial plan assumes a further 2% increase per annum in future years.

A summary of the approved Medium Term Financial Plan is provided below and shows that the Council has a balanced budget in 2020/21 but needs to address a shortfall in future years ranging from £495k in 2021/22 to £797k in 2023/24 to avoid using general reserves to balance the budget.

BROMSGROVE PROPOSED REVENUE BUDGET 2020/21 - 2023/24

	2020-21	2021-22	2022-23	2023-24
	£000	£000	£000	£000
Departmental base budget	11,730	11,749	11,806	11,806
Incremental Progression/Inflation on Utilities	192	249	269	456
Unavoidables Pressures	420	333	289	45
Revenue Bids & Revenue impact of capital bids	317	226	173	144
Savings and Additional income	-360	-527	-506	-667
Reduction to pension deficit payments	-436	-409	-380	-409
Provision for Housing Benefits overpayments	100	100	100	100
Saving on Birmingham LEP contribution	-150	-150	-150	-150
Net Revenue Budget Requirement	11,812	11,572	11,511	11,324
FINANCING				
Funding from reserves	-200	-338	0	0
Transfer to pension reserve	200	0	0	0
Business Rates Net Position	-2,444	-2,474	-2,510	-2,510
New Homes Bonus	-1,774	-610	-295	0
Collection Fund Surplus (Council Tax)	-245	0	0	0
Council Tax	-8,484	-8,739	-9,084	-9,376
Investment Income	-161	-309	-450	-536
Interest Payable	386	500	538	542
MRP (Principal)	811	1,036	1,205	1,393
Discount on advanced pension payment	-71	-143	-214	-40
Funding Total	-11,982	-11,077	-10,790	-10,528
General Balances	2020-21	2021-22	2022-23	2023-24
	£000	£000	£000	£000
Opening Balances 20/21 (projected)	4,301	4,471	3,976	3,256
Contribution (from) / to General Balances	170	-495	-720	-797
Agreed in year release of balances				
Closing Balances	4,471	3,976	3,256	2,459

The shortfall will be balanced through savings or additional income, including investment income, to ensure a balanced budget is approved each financial year. It is worth noting that the Council has sufficient balances to fund the forecast without reducing below the minimum level of £750k.

Governance

Bromsgrove District Council recognises that it is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. The Council has in place a Governance Framework which is detailed on page 13 and includes the following key elements:-

- A Council Constitution which clearly sets out the roles and responsibilities for Councillors and Officers and the rules that must be followed
- A transparent decision making process through Council, Cabinet, Planning Committee and Audit, Standards and Governance Committee
- Review and scrutiny of decision through the Overview and Scrutiny Committee
- Behaving with integrity supported through a Code of Conduct
- Managing risk through the Corporate Management Team and Audit, Standards and Governance Committee
- Clear strategic priorities linked to the needs of our communities and customers
- Regular performance management linked to strategic priorities and managed through a dashboard which is easily accessed and updated
- Having robust and regular financial management
- Having good communication with Councillors, employees and the Community

The Council undertakes an annual review of its governance arrangements and this is summarised in the Annual Governance Statement on page 13.

Risks and Opportunities

The Council recognises that it has a responsibility to manage risks effectively in order to control its assets and liabilities, protect its employees and community against potential losses, minimise uncertainty in achieving its goals and objectives, and to maximise the opportunities to achieve its vision.

Risk management is managed through the Corporate Management Team and Audit, Standards and Governance Committee.

Expenditure and Funding Analysis

The Expenditure and Funding Analysis is set out on page 47. The objective is to demonstrate to council tax payers how the funding available to the authority (i.e. Government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision-making purposes between the Council's strategic purposes. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

A summary of the net expenditure as reported through the management accounts compared with the budget for 2019/20 is shown below:-

Strategic Purpose	Original Budget 2019/20 £'000	Revised budget 2019/20 £'000	Actuals 2019/20 £'000	Variance 2019/20 £'000
Keep my place safe and looking good	4,492	4,233	4,368	136
Help me run a successful business	-506	-537	-520	17
Help me be financially independent	231	156	194	38
Help me to live my life independently	-58	-100	-96	4
Help me find somewhere to live in my locality	677	683	632	-51
Provide Good things for me to see, do and visit	684	1,790	1,762	-28
Enable others to work/do what they need to do (to meet their purpose)	6,318	5,595	5,282	-314
Total	11,838	11,820	11,622	-198
Corporate Financing	-11,838	-11,820	-11,852	-32
Grand Total	0	0	-231	-231

Reconciliation to the Expenditure Funding Analysis (Note 7)	£'000
Contribution to Balances from management accounts underspend	(231)
Less planned use of balances in 2019/20 included in management accounts	756
Add planned contributions to reserves 2019/20 included in management accounts	(492)
(Surplus)/deficit 2019/20 reported in Expenditure Funding Analysis	33

The actuals reported above are based on the management accounts for the authority. The management accounts are prepared on controllable budgets and there is a difference to the definitions used in the comprehensive income and expenditure summary (CIES) and the expenditure and funding analysis (EFA).

As an example the management accounts would record and manage any direct revenue financing of capital expenditure within the strategic priority but this would be recorded as other income and expenditure in the EFA.

The main variances to budget in each strategic area are as below. Greater detail is available in the year end outturn report.

Keep my place safe and looking good

These budgets include those relating mainly to environmental services, planning, lifeline, CCTV and other activities to deliver against the purpose to ensuring an area is both safe and attractive for the community.

There was a significant overspend in core waste management. While there was growth in income this was more than offset by an increase in running costs of domestic waste and disposal costs for trade waste. This generated an overspend of £244k. There were salary savings of £80k and £68k in trees and woodland services and community safety respectively. Bereavement services received less income than expected from burial fees and so there was a year end overspend of £39k.

Help me run a successful business

The budgets within the strategic purpose include economic development, car parking, all licenses and costs associated with the town and other centres within the District.

There was a slight overspend of £27k in car parks and small underspend within economic and tourism development due to savings on supplies and services of £16k.

Help me be financially independent

This strategic purpose includes all costs relating to the support of benefits and the administration and delivery of Council Tax services in the District.

There was an overspend in housing benefits due to there being no provision for bad debts in 2019/20, this has now been included in budgets going forwards. This resulted in a £62k overspend. There was a small saving in revenues in benefits due to staff vacancies of £23k.

Help me to live my life independently

There are a number of budgets relating to the delivery of the strategic purpose including; lifeline, community transport and disabled facilities grants.

There were small variances on temporary staffing which resulted in a £4k saving.

Help me find somewhere to live in my locality

The costs associated with homeless prevention, housing strategy and land charges are all included in the strategic purpose.

Housing strategy and enabling services have an underspend due to salary savings of £46k.

Provide good things for me to see, do and visit

The majority of budgets within this purpose relate to Leisure and Culture services.

There was an overspend of £23k within business development due to the receipt of old bills related to the old leisure centre. Staff vacancies in parks, events and sports generated a saving of £51k.

Enable others to work/do what they need to do (to meet their purpose)

All support services and corporate overheads are held within the enabling purpose. These include; IT, HR, finance, management team and other support costs.

There was a salary saving within CMT of £104k, and salary savings in legal and finance of £96k. There was a £68k saving in facilities management due to a refund on business rates from the Burcot Lane Council House and underspends on supplies and services.

Corporate Financing

Various transfers to reserves to enable specific projects to be undertaken in the future have been made within corporate along with a planned use of reserves. The reserves position is outlined on page 53 of the Financial Statement.

Capital

The management accounts reported the following capital outturn: -

Strategic Purpose	Original Budget 2019/20 £'000	Revised budget 2019/20 £'000	Actual 2019/20 £'000	Variance 2019/20 £'000
Keep my place safe and looking good	3,385	7,824	823	-7,002
Help me run a successful business	0	300	0	-300
Help me to live my life independently	950	1,574	1,074	-500
Provide good things for me to see, do and visit	170	1,714	1,400	-314
Enable others to work/do what they need to do (to meet their purpose)	10	479	261	-218
Totals	4,515	11,891	3,558	-8,333

Reconciliation to the Financial Statements	£'000
Capital outturn from management accounts	3,558
Late adjustments included in the Financial Statements	16
Total capital expenditure	3,574
Note 14 - Property plant and equipment	2,314
Note 16 - Intangible assets	237
Note 17 - long term debtors	11
Note 35 - Revenue expenditure funded from capital under statute	1,012
	3,574

The significant variances above have been reviewed and the budgets tightened for 2020/21 with the aim that the variations seen in 2019/20 do not occur again. The primary driver of the variances was roll forwards of prior year budgets as per the outturn report for 2019/20. These roll forwards were then not spent again. This has been reviewed internally and budgets reprofiled and reduced going forwards to be more reflective of what is realistically achievable for projects and increase accuracy. Covid may have an impact next year end as it did delay some projects starting.

Comprehensive Income and Expenditure Summary

This statement, often referred to as the CIES, is on page 22 and shows the expenditure and income in the year incurred in the providing of services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations which may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The Movement in Reserves Statement

This statement, often referred to as MiRS, is set out on page 21. It shows movement in the year on the different reserves held by Bromsgrove, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'Surplus or (deficit) on the provision of services' line shows the true economic cost of providing our services, more details of which are shown in the Comprehensive Income and Expenditure Summary (CIES). These are different from the statutory amounts required to be charged to the General Fund Balance and for council tax setting purposes. The 'Net increase /decrease before transfers to Earmarked Reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves are undertaken by the Council.

The Balance Sheet

The Balance Sheet set out on page 24 shows the value of our assets and liabilities. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category being usable reserves. These are reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category is unusable reserves. These are those that the authority is not able to use to fund services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services on the disposal of an asset.

The main changes to the Balance Sheet as at 31st March 2020 are:-

The creation of the Worcestershire Business Rate Pilot Pool which has increased the local share of business rate growth from 50% to 75% has shifted activity around the Balance Sheet. This accounts for the majority of the movement in creditors and provisions and is explained in more detail in Note 5.

The pension liability has increased from £44,095k as at 31st March 2019 to £48,431k as at 31st March 2020 and this is explained in more detail in Note 37. Part of the reason is the £2,151k pensions contributions paid in advance reduced the liability as at 31st March 2019 and the balance of £2,185k is as a result of actuarial assumptions.

There has been an improved treasury position with short term borrowing reducing from £13,522k as at 31st March 2019 to £4,772k as at 31st March 2020 and short term investments increasing from zero to £2,000k. The short term investment arose because of a receipt of Covid 19 funding from the Government at the year end after temporary borrowing had been undertaken until the new financial year. The reduction in short term borrowing is mainly as a result of recovery of business rate deficits during 2019/20 from Central Government and Worcestershire County Council and the benefit from having paid the 2019/20 pension contributions in advance. The position is explained in more detail in Note 5.

Group Accounts

The Code requires Local Authorities to consider all their interests and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. Bromsgrove has a material interest in the Bromsgrove Arts Development Trust where we appoint the majority of the Members on the Trust. The interest is limited to the building which is known as the Artrix.

The Group accounts show a marked reduction in long term assets as a result of the change in the revaluation method of the Artrix Theatre from depreciated replacement cost to fair value. This is explained further in Note 15.

The Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of Bromsgrove during the reporting period. The statement shows how we generate and use cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations are funded by way of taxation and grant income or service user receipts. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to our future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by lenders to the Council.

Bromsgrove District Council

Financial Statements for the year ended 31 March 2020

Statement of the Authority's and Chief Financial Officer's Responsibilities for the Statement of Accounts

The Authority's Responsibilities

Bromsgrove District Council is required to:

- make arrangements for the proper administration of its financial affairs and to
- secure that one of its officers has the responsibility for the administration of those affairs,
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets and
- approve the Statement of Accounts.

In this Authority, that officer is the Executive Director of Resources;

The Executive Director of Resources is responsible for the preparation of Bromsgrove District Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code') and in line with the latest principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. The latest principles have been adopted in this statement.

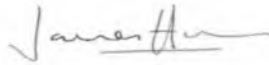
In preparing this Statement of Accounts, the Executive Director of Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Executive Director of Resources has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Accounts present a true and fair view of the financial position of Bromsgrove District Council at 31 March 2020 and its income and expenditure for the year ended on that date.



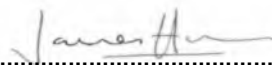
SIGNED

Date: 5th October 2021

Certificate of the Executive Director of Resources

I certify that:

- the Statement of Accounts for the year ended 31 March 2020 has been prepared in the form directed by the Code and under the accounting policies set out on pages 29 to 41.
- in my opinion, the Statement of Accounts gives a true and fair view of the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year.

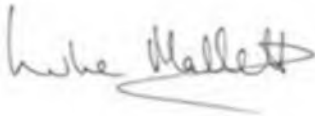


..... Date : 5th October 2021

Executive Director of Resources

Authority Approval of Statement of Accounts

These accounts were approved by audit, standards and governance committee on 11 March 2021



..... Date : 1st September 2021

Chairman

Scope of Responsibility

Bromsgrove District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Bromsgrove District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Bromsgrove District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Bromsgrove District Council's Policies and Strategic Purposes, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Bromsgrove District Council for the year ended 31 March 2020 and up to the date of approval of the statement of accounts.

The Governance Framework

The framework to deliver good governance across the Council's services in delivering the Strategic Purposes encompasses a number of elements;

- The Strategic Purposes have been developed in line with the needs of our communities and customers and the Council Plan 2019-2020 is in place and reflects the activities that need to be undertaken by the Council to further support the delivery of these purposes. The Plan was reviewed and revised during 2019 to reflect community needs with changes made to the Strategic Purposes and priorities which were approved by the Council.
- Strategic Partnership meetings are held on a regular basis to ensure that all partners and agencies are engaged in supporting the Council's aims to deliver the purposes to our community. Liaison between officers to deliver joint working arrangements is encouraged and actively undertaken by the Council. The Council has a dedicated partnership manager who liaises with community groups and other partners
- Performance reports are presented to members on a quarterly basis in relation to the strategic purpose delivery and the associated measures in place.
- A performance dashboard is in place for members and officers to review the performance of key measures, both strategic and operational across the organisation. This includes national statistics where relevant to the community of the District.
- The Council's Constitution clearly sets out the roles and responsibilities of Councillors, and the procedural rules for Full Council, Cabinet and the other Boards operated by the Council. The cross party Constitution working group considers changes and updates to the roles and responsibilities.
- Terms of reference for member working groups (e.g. Scrutiny Task Groups) are clearly defined.
- Financial Regulations and Contract Procedure Rules have been approved by Council. A full training programme is in place to ensure all relevant officers comply and understand the regulations in place. In addition an officer contract working group has been established with the aim to improve efficiencies in relation to contract management arrangements.
- A clear scheme of Councillor/Officer delegation exists to provide clarity on the powers entrusted to those appointed to make decisions on behalf of the Council. A Member / Officer protocol is also set out in the Constitution.
- The roles and responsibilities of Councillors are underpinned by an extensive Member Development Programme to include both mandatory and discretionary training. This is developed by the cross party Member Development Steering Group and includes; induction, chairmanship and specific Committee based training.
- The behaviour of Councillors is regulated by the Member Code of Conduct and is supported by a number of protocols. Updates are presented to the Audit, Standards and Governance Committee by the monitoring officer at each meeting.
- A review of the Constitution is undertaken on a regular basis to ensure it enables members to make informed and transparent decisions. This includes the scheme of delegation to officers.
- Decision making is carried out through Cabinet, Planning Committee and Audit, Standards and Governance Committee. Overview and Scrutiny Committee has responsibility to review and scrutinise the activities of the Council.
- Regular staff briefings and 4th tier manager forums are held to ensure staff are aware of changes and are engaged in the systems thinking methodology of supporting service changes across the Council. In addition a commercial approach to fees and charges and other income generation has been adopted. A framework of culture change is in place and managers are working with their teams to build up actions plans to support culture change in the Council

- Robust financial management arrangements in place through regular budget monitoring, on line purchase ordering systems and robust financial internal controls ensure that the Council complies with statutory legislation. A new enterprise system was approved in 2018/19 to improve functionality of the systems and access for managers, which will be implemented in 2020/21.
- There is a clear procurement code and policy in place to ensure that purchases are made in a compliant and transparent manner.
- Heads of Service are responsible for establishing and maintaining an adequate system of internal control arrangements when within their own services. They are required to sign off annual Governance and Internal Control returns where they can raise any items of concern. There were no issues raised during 2019/20.
- The Constitution clearly defines the roles of Monitoring Officer, S151 and Head of Paid Service.
- Regular press releases and social media updates are provided. Better Bromsgrove Together is sent to residents to inform them of the Council's activities and services provided. In addition information on the commercial services provided by the Council was sent out to enable residents to utilise the services offered.

Review of Effectiveness

Bromsgrove has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Heads of Service within Bromsgrove District who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors.

The Constitution clearly identifies the terms of reference, roles and responsibilities of Full Council, Cabinet, Overview and Scrutiny and Audit, Standards and Governance Committee all of which have fully understood governance responsibilities.

Throughout 2018/19, the Council adopted a robust approach to corporate governance, which has been advised through the work of the Audit, Standards and Governance Committees, Overview and Scrutiny as well as the statutory roles of the S151 Officer and the Monitoring Officer.

• **Audit, Standards and Governance Committee**

The Committee played a role by reviewing and monitoring internal control issues throughout the year. This included approval of the treasury management strategy, savings reports, regular progress reports from Internal Audit and reports and updates from the External Auditors.

• **Internal Audit**

BDC's responsibility for maintaining an effective internal audit function is set out in Regulation 6 of the Accounts and Audit Regulations 2015.

The Worcestershire Internal Audit Shared Service Team operates in accordance with best practice professional standards and guidelines. It independently and objectively reviews on a continuous basis, the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic, efficient and effective use of resources.

During 2019/20 the Internal Audit team delivered a comprehensive programme including:

- a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example Governance, and
- a number of operational systems, for example, compliments and complaints, safeguarding, markets were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems.

Internal Audits work programme helps to assure Audit, Standards and Governance Committee that the framework and statement can be relied upon based on the following:

- Evidence streams which were verifiable and could be relied upon,
- Monitoring and reporting mechanisms were in place to report issues,
- These streams and reporting mechanisms are embedded in the BDC governance process.

Internal Audit reports are considered by the relevant Head of Service and Executive Director of Resources, before submission to the Audit, Standards and Governance Committee for further scrutiny.

Significant Governance Issues

In relation to the internal audit reports for 2019/20 areas which returned an assurance level of 'limited' included Document Retention and Markets, further detail is given in the Internal Audit report in this statement of accounts. This was a significant improvement on 2018/19 in terms of the limited assurances. A clear management action plan has been formulated to address the issues identified where 'limited' assurance was identified to mitigate the risk. The progress and actions on the previous year limited audit in relation to Health and Safety has been reported regularly to the Audit, Standards and Governance Committee for consideration.

With regards to the two areas with limited assurance this year, taking each in turn. Markets was given a limited assurance due to the following areas where there was determined to be a need to take high priority action to remedy that was identified. A lack of resilience in the service with only the markets manager maintaining the income spreadsheets and being aware of the various charges, that cash handling was not following the financial procedure rules and not being banked and reconciled regularly, that some traders did not have up to date public liability insurance and that records were not all being kept in a manner that was General Data Protection Regulation (GDPR) compliant. Management have addressed these issues with the market manager having trained the business support officer in the use of the spreadsheets to provide resilience in the service, the financial regulations have been explained to the markets manager and a new process is now in place to ensure daily banking and reconciliations are taking place between the ledger and cash receipting system and spreadsheets. Any trader without an up to date insurance certificate has been identified and is not allowed to trade until an up to date one is presented. Finally, the market manager has received training on GDPR compliance and sick notes are now no longer kept, rather viewed and then noted and records are scanned in and kept for 6 years.

The second area which received limited assurance was in document retention. The high priority areas identified were that some areas were not destroying records in line with retention policies and some hard copies of records were not being kept securely. Managements response to this was to ensure that the intranet was used to remind staff to maintain records in line with retention policies and to review records held regularly corporately. With regards to the hard copies of records, it is being investigated if records held at Bromsgrove Council could be transferred to Redditch Town Hall to keep them secure.

The Heads of Service have actions in place to address any recommendations from Audit reviews and all assessed as being either of high or medium importance have been reported to the Audit Standards and Governance Committee. The Internal Audit team will continue to review the actions as they are implemented.

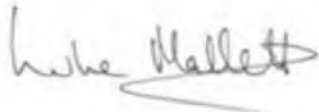
Conclusion and Evaluation

As Leader and Chief Executive, we have been advised on the results of the review of the effectiveness of the Council's governance framework. Our overall assessment is that this Annual Governance Statement is a balanced reflection of the governance environment and the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

We are also satisfied that over the coming year, the Council will take appropriate steps to address any significant governance issues and we will monitor their implementation and operation as part of our next annual review.

Signed 

Date : 1th September 2021



Signed

Date : 1th September 2021

Chairman of audit, standards and governance committee & Chief Executive on behalf of Bromsgrove District Council.

Worcestershire Internal Audit Shared Services Manager's Opinion on the Effectiveness of the System of Internal Control at Bromsgrove District Council for the Year Ended 31st March 2020.

1. Internal Audit Opinion

- 1.1 The internal audit of Bromsgrove District Council's systems and operations during 2019/20 was conducted in accordance with the Internal Audit Annual plan which was presented to the Audit Committee on 30th July 2019 and any subsequent revision.
- 1.2 The Internal Audit function was set up as a shared service in 2010/11 and hosted by Worcester City Council for 5 district councils and increased to 6 partners with the inclusion of Hereford and Worcester Fire and Rescue Authority from April 2016. The shared service conforms with CIPFA guidance and the Institute of Internal Auditors Public Sector Internal Audit Standards as amended and objectively reviews on a continuous basis the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic and effective use of resources.
- 1.3 The Internal Audit Plan for 2019/20 was risk based assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk, fraud risk, and external risk. It included:
 - a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance, and,
 - a number of operational systems, for example, compliments and complaints, safeguarding, markets were looked at to maintain and improve control systems and risk management processes or reinforce oversight of such systems.
- 1.4 The 2019/20 internal audit plan and any revision thereto was delivered providing sufficient coverage for the s151 and the Head of Internal Audit Shared Service to form an overall opinion.
- 1.5 At the time of writing this opinion in regard to the 19 reviews that have been undertaken, 15 have been finalised and 4 at draft report stage. Areas that returned an assurance level of 'limited' included markets and document retention policies.
- 1.6 A clear management action plan has been, or is in the process of being formulated to address the issues identified in all the other audit areas where 'limited' assurance was identified to mitigate the risk. Where audits are to be finalised a comprehensive management action plan will be required and agreed by the s151 Officer. There is a clear understanding that further work is required to embed risk management throughout the organisation with the outcomes now being monitored by the Executive Director of Resources.
- 1.7 As part of the process of assessing the Council's control environment, senior officers within the Council are required to complete an annual "Internal Control Assurance Statement" to confirm that the controls in the areas for which they are responsible are operating effectively. Officers were required to acknowledge their responsibilities for establishing and maintaining adequate and effective systems of internal control in the services for which they are responsible and confirming that those controls were operating effectively except where reported otherwise. There were some key themes identified in some of the returns which will be picked up directly with management including a lack of awareness in regards to a handbook. A reoccurring theme reported across several Services was the impact of staff shortages. No areas of significant risk have been identified in addition to those already identified in the audit work completed.
- 1.8 Any concerns raised by managers will be assessed and addressed by the Corporate Management Team.

- 1.9 13 of the completed audits have been allocated an audit assurance of either 'moderate' or above meaning that there is generally a sound system of internal control in place, no significant control issues have been encountered and no material losses have been identified. However, there were 2 audits allocated a 'limited' assurance which indicates weaknesses in the design and/or inconsistent application of controls potentially putting the achievement of the organisation's objective at risk in those areas reviewed. Any assurance provided is limited to the few areas of the system where controls are in place and are operating effectively. The two critical friend reviews that were undertaken did not provide overall assurance but did report on potential lessons learnt. Although there remained some areas where the overall assurance fell short of 'moderate' assurance or above 2019/20 saw a slightly improved corporate picture based on the previous year results where 11 audits were 'moderate' or above and there were 6 'limited' assurance audits reported.
- 1.10 WIASS can conclude that no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. This statement is intended to provide reasonable assurance based on the audits performed in accordance with the approved plan and scoping therein. Based on the audits performed in accordance with the approved plan, the Head of Internal Audit Shared Service has concluded that the internal control arrangements during 2019/20 effectively managed the principal risks in a number of areas, but not all, and can be reasonably relied upon to ensure that the Council's corporate objectives have been met in the main. Close monitoring of deployed measures are set to continue but the need to reduce overall risk and work towards a better and sustainable approach beyond 2019/20 will be critical to create better transparency, expectation and accountability. This will be necessary in order to ensure the District manages risk effectively, and, ensures other areas which attracted a 'limited' assurance develop and deploy a sound control environment where there is the potential for emerging risk.

Andy Bromage
Head of Internal Audit Shared Service
Worcestershire Internal Audit Shared Service
Jun-20

Bromsgrove District Council

Financial Statements for the year ended 31 March 2020

The Core Financial Statements



Bromsgrove District Council

Movement in Reserves Statement for Bromsgrove District Council and Group. For the current and comparative year

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance	Earmarked General Fund Reserves	Total General Fund Balance	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Reserves of the Authority	Total Authority Reserves	Authority Share of Subsidiary	Total Authority Reserves Group
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2018	4,789	3,405	8,194	648	8,842	(11,388)	(2,546)	(2,546)	5,434	2,888
Movement in reserves during the year										
Total Comprehensive Income and Expenditure	(4,113)	0	(4,113)	0	(4,113)	(5,683)	(9,796)	(9,796)	0	(9,796)
Adjustments between accounting basis & funding basis under regulations (Note 9)	6,622	0	6,622	340	6,962	(6,962)	0	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves	2,509	0	2,509	340	2,849	(12,645)	(9,796)	(9,796)	0	(9,796)
Transfers to or from earmarked reserves	(2,372)	2,372	0	0	0	0	0	0	(216)	(216)
Increase/(Decrease) in Year	137	2,372	2,509	340	2,849	(12,645)	(9,796)	(9,796)	(216)	(9,796)
General Fund analysed over:										
Amounts Held in Earmarked Reserves (Note 10)	5,777	0	0	0	0	0	0	0	0	0
Other Amounts	(851)	0	0	0	0	0	0	0	0	0
Balance as at 31 March 2019	4,926	5,777	10,703	988	11,691	(24,033)	(12,342)	(12,342)	5,218	(7,124)
Movement in reserves during the year										
Total Comprehensive Income and Expenditure	(3,401)	0	(3,401)	0	(3,401)	2,671	(730)	(730)	0	(730)
Adjustments between accounting basis & funding basis under regulations (Note 9)	3,369	0	3,369	(376)	2,993	(2,993)	0	0	0	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(32)	0	(32)	(376)	(408)	(322)	(730)	(730)	0	(730)
Transfers to or from earmarked reserves	(492)	492	0	0	0	0	0	0	(4,209)	(4,209)
Increase/(Decrease) in Year	(524)	492	(32)	(376)	(408)	(322)	(730)	(730)	(4,209)	(4,939)
Balance Sheet as at 31 March 2020	4,402	6,269	10,671	612	11,283	(24,355)	(13,072)	(13,072)	1,009	(12,063)

Bromsgrove District Council

Comprehensive Income and Expenditure Statement for the year ended 31 March 2020

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Notes

	2019/20			2018/19		
	£000	£000	£000	£000	£000	£000
	Expenditure	Income	Net	Expenditure	Income	Net
Enabling of the Authority	7,308	(3,063)	4,245	7,458	(2,450)	5,008
Help me be financially independent	13,609	(13,359)	250	16,144	(15,840)	304
Help me find somewhere to live in my locality	1,391	(541)	850	1,387	(593)	794
Help me run a successful business	1,007	(1,466)	(459)	2,010	(1,578)	432
Help me to live my life independently	1,196	(392)	804	1,195	(390)	805
Keep my place safe and looking good	15,674	(8,050)	7,624	15,194	(7,463)	7,731
Provide good things for me to see do and visit	5,430	(213)	5,217	1,680	(303)	1,377
Cost of Services	45,615	(27,084)	18,531	45,068	(28,617)	16,451
Other Operating Expenditure	844	0	844	782	0	782
Financing and Investment Income and Expenditure	1,088	(15)	1,073	940	(7)	933
Taxation and Non-Specific Grant Income and Expenditure	2	(17,049)	(17,047)	8,466	(22,519)	(14,053)
(Surplus) or Deficit on Provision of Services			3,401			4,113
Surplus or deficit on revaluation of Property, Plant and Equipment			(2,276)			356
Remeasurement of the net defined benefit liability/(asset)			(395)			5,327
Other Comprehensive Income and Expenditure			(2,671)			5,683
Total Comprehensive Income and Expenditure			730			9,796

Bromsgrove District Council

Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2020

Notes

	2019/20			2018/19		
	£000	£000	£000	£000	£000	£000
	Expenditure	Income	Net	Expenditure	Income	Net
Enabling of the Authority	7,308	(3,063)	4,245	7,458	(2,450)	5,008
Help me be financially independent	13,609	(13,359)	250	16,144	(15,840)	304
Help me find somewhere to live in my locality	1,391	(541)	850	1,387	(593)	794
Help me run a successful business	1,007	(1,466)	(459)	2,010	(1,578)	432
Help me to live my life independently	1,196	(392)	804	1,195	(390)	805
Keep my place safe and Looking Good	15,674	(8,050)	7,624	15,194	(7,463)	7,731
Provide Good things for me to see do and visit	6,875	(213)	6,662	1,832	(303)	1,529
Cost of Services	47,060	(27,084)	19,976	45,220	(28,617)	16,603
Other Operating Expenditure	844	0	844	782	0	782
Financing and Investment Income and Expenditure	1,088	(15)	1,073	940	(7)	933
Taxation and Non-Specific Grant Income and Expenditure	2	(17,049)	(17,047)	8,466	(22,519)	(14,053)
Associates and Joint Ventures accounted for on an equity basis			(1,402)			(72)
(Surplus) or Deficit on Provision of Services			3,444			4,193
Surplus or deficit on revaluation of Property, Plant and Equipment			1,890			492
Remeasurement of the net defined benefit liability/(asset)			(395)			5,327
Other Comprehensive Income and Expenditure			1,495			5,819
Total Comprehensive Income and Expenditure			4,939			10,012

Bromsgrove District Council

Balance Sheet as at 31 March 2020

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

	Notes	31st March 2020 £000	31st March 2019 £000
Property, Plant & Equipment	14/14a	42,535	43,421
Intangible Assets	16	416	314
Long Term Debtors	19	330	320
Long Term Assets		43,281	44,055
Short Term Investments	17	2,000	0
Inventories	18	229	229
Short Term Debtors	19	7,558	6,824
Cash and Cash Equivalents	20	1,393	1,687
Assets held for sale	21	0	0
Current Assets		11,180	8,740
Bank Overdraft	20	0	0
Short Term Borrowing	17	(4,772)	(13,522)
Short Term Creditors	22	(12,682)	(5,122)
Provisions	23	(189)	(1,561)
Revenue Grants received in advance	33	(17)	(17)
Current Liabilities		(17,660)	(20,222)
Other Long Term Liabilities	37	(48,431)	(44,095)
Capital Grants received in advance	33	(1,442)	(819)
Long Term Liabilities		(49,873)	(44,914)
Net Liabilities		(13,072)	(12,341)
Usable reserves	24	11,283	11,691
Unusable Reserves	25	(24,355)	(24,033)
Total Reserves		(13,072)	(12,342)

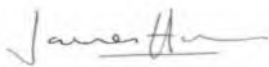
Bromsgrove District Council

Group Balance Sheet as at 31 March 2020

Information relating to the Group Balance Sheet is included in Note 15 - Group Accounts

	Notes	31st March 2020 £000	31st March 2019 £000
Property, Plant & Equipment	14/14a	43,545	48,640
Intangible Assets	16	416	314
Long Term Debtors	19	330	320
Long Term Assets		44,291	49,274
Short Term Investments	17	2,000	0
Inventories	18	229	229
Short Term Debtors	19	7,558	6,824
Cash and Cash Equivalents	20	1,393	1,687
Assets held for sale	21	0	0
Current Assets		11,180	8,740
Bank Overdraft	20	0	0
Short Term Borrowing	17	(4,772)	(13,522)
Short Term Creditors	22	(12,682)	(5,122)
Provisions	23	(189)	(1,561)
Revenue Grants received in advance	33	(17)	(17)
Current Liabilities		(17,660)	(20,222)
Other Long Term Liabilities	37	(48,431)	(44,095)
Capital Grants received in advance	33	(1,442)	(819)
Long Term Liabilities		(49,873)	(44,914)
Net Liabilities		(12,062)	(7,122)
Usable reserves	24	11,283	11,691
Unusable Reserves	25	(23,345)	(18,815)
Total Reserves		(12,062)	(7,124)

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2020 and its income and expenditure for the year to 31 March 2020.



James Howse
Executive Director of Resources

Date ; 5th October 2021

Bromsgrove District Council

Cash Flow Statement at 31 March 2020

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

During 2018/19, an amendment was made to the draft Statement of accounts because of the McCloud pension case in relation to age discrimination and transitional payments in relation to the Pension Scheme. These amendments were included within the Final Statement of Accounts which included amendments to the Pensions note due to the increased costs that were expected to be incurred because of the case ruling. The costs were reflected in the accounts but not amended within the cashflow statement and associated cashflow notes. The changes are shown below and in note 26 Cashflow Statement - Operating Activities on the pension liability line. The change has also flowed through to the Group Cashflow statement which has been updated to reflect the changes.

	Notes	2019/20 £000	Restated 2018/19 £000	Originally Stated 2018/19 £000
Net surplus or (deficit) on the provision of services		(3,401)	(4,113)	(4,113)
Adjustment to surplus or deficit on the provision of services for non-cash movements	26	8,594	8,815	7,664
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	(1,684)	(1,500)	(1,500)
Net cash flows from Operating Activities		3,509	3,202	2,051
Investing Activities	27	(1,827)	(446)	(446)
Financing Activities	28	(1,975)	(1,077)	(1,077)
Net increase or (decrease) in cash and cash equivalents		(293)	1,679	528
Cash and cash equivalents at the beginning of the reporting period		1,687	8	8
Cash and cash equivalents at the end of the reporting period		1,394	1,687	536

Bromsgrove District Council

Group Cash Flow Statement at 31 March 2020

	Notes	2019/20 £000	Restated 2018/19 £000	Originally Stated 2018/19 £000
Net surplus or (deficit) on the provision of services		(3,444)	(4,193)	(4,193)
Adjustment to surplus or deficit on the provision of services for non-cash movements	26	8,637	8,895	7,744
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	26	(1,684)	(1,500)	(1,500)
Net cash flows from Operating Activities		3,509	3,202	2,051
Investing Activities	27	(1,827)	(446)	(446)
Financing Activities	28	(1,975)	(1,077)	(1,077)
Net increase or (decrease) in cash and cash equivalents		(293)	1,679	528
Cash and cash equivalents at the beginning of the reporting period		1,687	8	8
Cash and cash equivalents at the end of the reporting period		1,394	1,687	536

Notes to the Core Financial Statements



Bromsgrove District Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Note 1 Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The statements are prepared on a general principle of a going concern and that the functions and services provided by the Council will continue to operate for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern.

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Summary of Significant Accounting Policies

1) Revenue and Expenditure Recognition

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In

- Revenue in respect of services provided is recognised when (or as) performance obligations are satisfied by transferring promised services to the customer, and is measured at the amount of the transaction price allocated to that performance obligation. Where income is received for a specific performance obligation that is to be satisfied in the following year, that income is deferred.
- Income from the sale of non-current assets is recognised only when all material conditions of sale have been met, and is measured as the sums due under the sale contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- The council has set a de-Minimis level for accruals of creditors and debtors that are calculated manually in order to avoid additional time and cost in estimating and recording accruals.
This level is reviewed annually and is currently set at £5,000. If a payment or receipt is split across different cost centres, the limit is for the whole payment or receipt.

Exceptions to this de Minimis rule where accruals are made in full are:

- Qualifying expenditure upon which income from government grant or other third parties is dependent and associated grant income, where the grant funding would be lost if the accrual is not made.
 - Invoices for substantially the same supply or service that are chargeable to the same service area are aggregated where their total is over £500.
 - Accruals posted based on orders that have been goods receipted on the E-Financials system.
- For capital projects work in progress schedules will be obtained and accruals will be processed on this basis.

2) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

3) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

4) Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible non-current assets attributable to the service

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. This is the Minimum Revenue Provision (MRP). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the MRP contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

5) Council Tax and Non-Domestic Rates (England)

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

6) **Employee Benefits** **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement of Reserves Statement, appropriations are required to and from the Pension Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Authority are members of the below pension scheme:

- The Local Government Pensions Scheme, administered by Worcestershire County Council known as the Worcestershire Pension Fund (WPF)
- The schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme.

- The liabilities of the WPF attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- The liabilities of the WPF attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (based on the indicative rate of return on a basket of high quality corporate bonds, government gilts and other factors).
- The assets of WPF attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.

The change in the net pensions liability is analysed into the following components:

- **Service cost comprising:**
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs

- net interest on the net defined benefit liability i.e.net interest expense for the authority – change during the period and the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit.

Liability at the beginning of the period – considering any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

• **Remeasurements comprising:**

The return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to Pensions Reserve as Other Comprehensive Income and Expenditure

Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to

the Pensions Reserve as Other Comprehensive Income and Expenditure

- Contributions paid to the WPF – cash paid as employer’s contributions to the pension fund in settlement of liabilities not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

7) Events After the Reporting Period

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts are adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

8) Fair Value Measurement

The authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. When measuring the fair value of a non-financial asset, the authority takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority’s financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - unobservable inputs for the asset or liability

9) Financial Instruments

Financial Liabilities

Financial liabilities are recognised when the Council becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are derecognised when the liability has been extinguished – that is, the obligation has been discharged or cancelled or has expired.

Financial liabilities are initially measured at fair value and carried at their amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the amortised cost of the financial liability. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount (balance carried forward) of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount included in the Balance Sheet is the outstanding principal repayable, and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement. Accounting for debt re-structuring or early settlement will be in accordance with the Code and relevant statute.

Financial Assets

Financial assets are recognised when the Council becomes party to the contractual provision of the financial instrument or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or when the asset has been transferred and the Council has transferred substantially all of the risks and rewards of ownership or has not retained control of the asset.

Financial assets are initially recognised at fair value plus or minus directly attributable transaction costs for financial assets not measured at fair value through profit or loss. Fair value is taken as the transaction price, or otherwise determined by reference to quoted market prices, where possible, or by valuation techniques.

Financial assets are classified into the following categories:

- financial assets at amortised cost,
- financial assets at fair value through other comprehensive income, and
- financial assets at fair value through profit and loss.

The classification is determined by the cash flow and business model characteristics of the financial assets, as set out in The Code, and is determined at the time of initial recognition.

- **Financial Assets at Amortised Cost**

Financial assets measured at amortised cost are those held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and where the cash flows are solely payments of principal and interest. This includes most trade receivables, loans receivable, and other simple debt instruments.

After initial recognition, these financial assets are measured at amortised cost using the effective interest method, less any impairment. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the life of the financial asset to the gross carrying amount of the financial asset.

For most of the loans that the Council has made, this means that the amount included in the Balance Sheet is the outstanding principal receivable, and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The Council has made interest free loans to home owners (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at an effective rate of interest rather than interest free, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

- **Financial Assets at Fair Value Through Other Comprehensive Income or Profit and Loss Account**

The Council does not hold any financial assets that require fair value adjustment through either other comprehensive income (FVOCI) or through profit and loss (FVPL) and therefore does not hold accounting policies for these issues.

- **Impairment**

For all financial assets measured at amortised cost or at fair value through other comprehensive income (except equity instruments designated at fair value through other comprehensive income), lease receivables and contract assets, the Council recognises a loss allowance representing expected credit losses on the financial instrument.

The Code requires that local authorities shall not recognise a loss allowance for expected credit losses on a financial asset where the counterparty for a financial asset is central government or a local authority for which relevant statutory provisions prevent default.

The Council adopts the simplified approach to impairment, in accordance with the Code, and measures the loss allowance for trade receivables, contract assets and lease receivables at an amount equal to lifetime expected credit losses. For other financial assets, the loss allowance is measured at an amount equal to lifetime expected credit losses if the credit risk on the financial instrument has increased significantly since initial recognition, and otherwise at an amount equal to 12-month expected credit losses.

For financial assets that have become credit impaired since initial recognition, expected credit losses at the reporting date are measured as the difference between the net present value of all the contractual cash flows that are due to the Council in accordance with the contract for the instrument and the net present value of all the cash flows that the Council expects to receive, discounted at the original effective interest rate. Any adjustment is recognised in the Surplus or Deficit on the Provision of Service as an impairment gain or loss.

10) **Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

11) Heritage Assets

Heritage Assets are those with cultural, environmental or historical significance that make their preservation for future generations important.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment – see accounting policy 18.

12) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

13) Interests in Companies and Other Entities

The Authority has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

14) Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

15) Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its expenses, including its share of any expenses incurred jointly.

16) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a rent-free period at the commencement of the lease).

The Authority as Lessor Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

17) Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the reader of the accounts. Notes are only included where items are considered to be material by value or nature.

18) Overheads and Support Services

In the Financial Statements overheads are reported under the Strategic Purpose where they are managed which is usually Enabling the Authority.

19) Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price.
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e., it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- council offices - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV), except for a few offices that are situated close to the council's housing properties, where there is no market for office accommodation and that are measured at depreciated replacement cost (instant build) as an estimate of current value.
- surplus assets - the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- Vehicles, Plant & Equipment (VPE) – depreciated historical cost, other than plant and machinery at Bromsgrove Sports and Leisure Centre
- Vehicles, Plant & Equipment (VPE) – depreciated replacement cost - plant and machinery at Bromsgrove Sports and Leisure Centre

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement
- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant and equipment – straight line over the useful life, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 25 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell.

Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure Line in the Comprehensive Income and Expenditure Statement. Gains in fair value are only recognised up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified as non-current assets and valued at the lower of their carrying amount (before they were classified as held for sale) adjusted for depreciation, amortisation or revaluations and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

20) Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

21) Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

22) Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

23) Shared Services

Bromsgrove District Council provides the hosting for a number of shared service arrangements with Redditch Borough Council and Wyre Forest District Council. A number of other shared services are hosted by Redditch Borough Council (including Worcestershire Regulatory Services which is a Jointly Controlled Operation), Worcester City Council and Wyre Forest District Council.

Each arrangement is accounted for within the records of Bromsgrove District Council with a monitoring report prepared for the partner authority on a monthly basis for consideration of the operational costs together with an annual statement of assets and liabilities extracted from the accounts of Bromsgrove District Council. There is a responsibility for each partner Council to account for their share of the arrangement within their statement of accounts.

When entering into shared services with Redditch Borough Council all capital assets that are purchased are financed by each authority separately and accounted for on their own Balance Sheet. Any assets purchased prior to the start of the shared service are not included in the shared service; the costs associated with this remain on the accounts of the Authority that purchased the asset only.

The Management team is shared across both authorities as well as other services. Cross-charging occurs where a resource is used by the other Authority where there is not a formal shared service in place.

Each Authority pays a fair share of services which are shared, in line with the Business Case; all direct expenditure is shared on this basis, with income staying with the home Authority. Where a cost is only in relation to one Authority, this falls outside the Business Case and the Authority that gains the benefit for this is fully charged.

24) Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenue and Customs. VAT receivable is excluded from income.

Bromsgrove District Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Note 2 Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The code requires that the Council disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The amendments are listed below:

There is an amendment to IFRS 16 Leases, this standard was due to be implemented on 1st April 2020 but this has now been delayed until 1st April 2021.

- IFRS 16 Leases. The amendment requires Local Authorities who are lessees to recognise leases on the balance sheet as right of use assets with a corresponding lease liability.

As yet the Council has not done sufficient detailed work to accurately ascertain the impact of IFRS 16 leases on the accounts due to the extension in the implementation deadline.

Note 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision. The Council holds earmarked reserves of £6,269k and General Fund Balances of £4,402k.

The Council participates in a number of Shared Services under contractual arrangements with other Councils and is a partner in the Worcestershire Regulatory Services Board. These arrangements are accounted for as Jointly Controlled Operations. A Jointly Controlled operation uses the assets and resources of the partner authorities without the establishment of a separate entity. Under these arrangements each participant in the arrangement, accounts separately for its own transactions including the use of assets, liabilities, income, expenditure and cash flows.

The Council has determined that a Group Accounting relationship exists with Bromsgrove Arts Development Trust as it has been identified that the Council is able to appoint the majority of the Board responsible for governing this Trust. Where material the Group position is disclosed on the face of the applicable Core Statements. Further information is disclosed in note 15.

The Council has made a 100% provision against the potential cost of business rates appeals arising from the 2010 and 2017 rating list based on indicative information from Analyse Local informed by data from the Valuation Office. In addition, the Council has provided for the cost of the successful appeal to the Supreme Court concluded on 20th May 2020 which ruled that automated teller machines (ATMs) should not be rated separately to the building and the cost of a challenge relating to the business rates of purpose built General Practice (GP) Surgeries where there have been reductions in the rateable value from the 2017 rating list. Both the ATM and GP Surgeries outcome was concluded after the 31st March 2020 but full provision is made in the provision for business rate appeals as at 31st March 2020. The level of the 2017 rating list provision for appeals has released by £2,049k. Previously the Council held 4.7% of rating income as a potential provision linked to the level of appeals against the 2010 rating list, however, the number of appeals against the 2017 rating list has been low and this level of provision could not be evidenced. Further information on these appeals is provided in note 23.

The Council manages the Collection Fund and accounts for business rates on behalf of itself, Worcestershire County Council, Hereford and Worcester Fire and Rescue Authority and Central Government. The Council share of the business rate assets and liabilities in 2019/20 was 0% in accordance with the Worcestershire Business Rate Pilot Pool that operated for that year. This compares with 40% in 2018/19. From 2020/21 the share of assets and liabilities will revert back to 40%.

The Council has determined that it does not hold any assets solely for income or capital appreciation and therefore does not hold any investment properties.

Bromsgrove District Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Note 4 Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets are reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for PPE would increase by £543k if the life of all the depreciated assets reduced by one year. The majority of the change (£440k) is on vehicles, plant and equipment (VPE) where the assets already have a short life and an one year reduction is significant. Past experience is that VPE outlives the useful life.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate would result in a decrease in the pension liability of £2,109k. Further sensitivity analysis can be seen in the defined benefit pension scheme note.

The Council manages the Collection Fund and accounts for business rates on behalf of itself, Worcestershire County Council, Hereford and Worcester Fire and Rescue Authority and Central Government. The Council share of the business rate assets and liabilities in 2019/20 was 0% in accordance with the Worcestershire Business Rate Pilot Pool that operated for that year. This compares with 40% in 2018/19. From 2020/21 the share of assets and liabilities will revert back to 40%.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, less weight can be attached to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

The land and building valuations are therefore reported based on 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the valuations than would normally be the case.

Bromsgrove District Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2020

Note 5 Material Items of Income and Expense

The following seven material items have had an impact on the 2019/20 Financial Statements:-

Long Term assets have reduced by £774k from £44,055k to £43,281k which is mainly as a result of the revaluation of property, plant equipment in 2019/20. There has been a reduction in the valuation of the Bromsgrove Sports and Leisure Centre building, plant & machinery (£2,852k) and Aston Road Depot building (£626k). Although the valuation method has remained the same (depreciated replacement cost) the new Valuer (Bruton Knowles) has professionally completed a replacement cost calculation which results in the reduction. The valuation reductions have been offset by increases in other assets with land valuations across the Council portfolio increasing by £454k, the 30% share in low cost housing increasing by £512k, the value in surplus assets at fair value increasing by £558k, other building across the portfolio increasing by £696k and spending of long term assets (£2,551k) exceeding depreciation (£2,082) by £469k.

In the Group Accounts the reduction in long term assets is more marked at £4,983k, reducing from £49,274k to £44,291k. £774k of the change is due Council assets as explained above, resulting in £4,209k being related to the Group. This represents the valuation reduction of the Council share in the Artrix building which has reduced from £5,218k to £1,009k. The valuation of the Artrix has reduced significantly following a change to the valuation method. In previous years depreciated replacement cost was used for valuation which calculated how much it would cost to replace the existing building as a Theatre with a deduction to take account that part of the useful life had expired. The Artrix Theatre ceased trading on 7th April 2020 with the operator unable to trade as a going concern without financial support from the public purse. To continue to value at depreciated replacement cost would be misleading as the Theatre is no longer operating and the prospect of finding a new operator without also providing financial support is low. Although decisions are still to be made on the future of the Theatre a valuation at Fair Value, akin to a surplus asset, has been undertaken and the reduction in valuation reflects that a purpose built building has a far lower value when it ceases to be operational for that purpose.

There has been an increase in the pension deficit from £46,246k to £48,431k. Note 37 provides a detailed analysis of the pension changes but the main reason for the change are actuarial gains from changes in demographic, financial and experience assumptions. The pension liability is reported in the Balance Sheet as at 31st March 2019 is £44,095k, £2,151k lower than the deficit and this reflects the 2019/20 advanced payment of pension contributions.

From 1st April 2019 the Council became part of the Worcestershire 75% Business Rate Pilot Pool rather than the Greater Birmingham and Solihull Business Rate Pool (GBSBRP). The agreement is a no detriment arrangement whereby the Council receives a share equal to the 40% it received under GBSBRP arrangements and benefit from any increase in business rate income. The Council share is received from Worcestershire County Council (WCC) rather than the Collection Fund. The 75% Pilot arrangements apply for 2019/20 only and provide that WCC receive 74% of business rate income, Hereford and Worcester Fire and Rescue (HWFR) continue to receive 1% and Central Government receive 25% rather than 50% it received under the previous arrangements. The Balance Sheet as at 31st March 2020 requires business rate activity (arrears, prepayments, appeals, surplus and provision for bad debts) other than court costs to be allocated to WCC (74%), HWFR (1%) and Central Government (25%) whereas the Balance Sheet as at 31st March 2019 included a 40% allocation to the Council.

Creditors and provisions have changed significantly. Creditors have increased by £7,560k from £5,122k in 2018/19 to £12,682k in 2019/20 whereas provisions have reduced by £1,372k from £1,561k in 2018/19 to £189k in 2019/20. The net movement is £6,188k. There are three reasons for this change:-

- The provision for business rate appeals has reduced from £1,311k in 2018/19 to zero in 2019/20. The provision reduced following the decision to release the majority of the 2017 rating list provision but the reason the 2019/20 provision is zero is the Worcestershire Business Rate Pool arrangements where Collection Fund balances are fully allocated to Worcestershire County Council, Central Government and Hereford and Worcester Fire and Rescue Authority and these are recorded in Creditors.
- A total of £5,532k is held in creditors relating to business rate allocations due to Worcestershire County Council, Central Government and Hereford and Worcester Fire and Rescue Authority mainly represented by their share of the NNDR Collection Fund Surplus (£4,150k), provision for rating appeals (£1,224k), provision for bad debts (£930k), business rates received in advance (£876k) and offset by business rate arrears (£1,648k).
- The Council received £1,650k Government grant in advance in 2019/20 in respect of Covid 19 and this has been recorded as a receipt in advance within creditors on the Balance Sheet as at 31st March 2020.

Although debtors on the Balance Sheet have only moved by £734k from £6,824k as at 31st March 2019 to £7,558k as at 31st March 2020 there are significant movements within these figures. The debtors as at 31st March 2019 included £968k relating to business rate allocations to Central Government, WCC and HWFA which are now creditor balances and would increase the underlying debtor movement to £1,702k. The majority of the movement relates to £1,914k due the Council from WCC relating to the business rate surplus in 2019/20. Previously the business rate surplus would have been held in the collection fund adjustment account within unusable reserves but the Pilot business rate arrangements require an accrual.

The significant changes to creditors and provisions in respect of the Worcestershire Business Rate Pilot Pool will only apply to 2019/20, the duration of the Pilot. In 2020/21, the Council will return to being accountable for 40% of the Business Rate Pool and holding a 40% share of business rate creditors, prepayments and appeals.

There has been a significant movement in treasury balances during 2019/20 as calculated below:-

Movement in treasury balances	31st March 2020	31st March 2019
	£'000	£'000
Short Term Borrowing	(4,772)	(13,522)
Short Term Investments	2,000	0
Cash & Cash Equivalents	1,393	1,687
	(1,379)	(11,835)
Treasury Balance Movement		10,456

Movement explained by:-		
Business rate deficit recovered in 2019/20 from CG	2,881	
Business rate deficit recovered in 2019/20 from WCC	518	
Business rate deficit recovered in 2019/20 from HWFR	57	
Business rate provision for appeals 2019/20 not required	1,209	
Business rate surplus relating to 2019/20 excluding appeals	375	5,040
Increase in Council tax surplus 2019/20		674
Increase in short terms creditors excluding business rates and Covid grant		385
Pension costs in budget paid in previous years		2,151
Covid 19 grant received in advance		1,650
Increase in capital grants received in advance		623
Reduction in underlying borrowing requirement		245
Changes in short term debtors excluding business rates		212
Other movements		(524)
Treasury Balance Movement		10,456

Note 6 Events after the Reporting Period

Business Rate Appeal Decisions (adjusting)

On the 20th May 2020, the Supreme Court denied the Valuation Office's appeal against the Court of Appeals decision that ATM's should not be rated occupied separately from the host store that they are located within.

Initially ATM's that are located externally or internally at supermarkets or convenience stores were being assessed rateable occupied separately to that of the supermarket but this has now been overturned.

There was also a case relating to the business rates of purpose built General Practice (GP) Surgeries where there have been reductions in the rateable value from the 2017 rating list.

Both the ATM and GP Surgeries outcome was concluded after the 31st March 2020 but full provision has been made in the provision for business rate appeals as at 31st March 2020.

A provision of £180k has been included within the business rates appeals in 19/20 for the settlement of the ATM's case which will be settled in 20/21 and £167k for GP Surgeries.

Further information on the provision for appeals is contained within note 23.

The Council manages the Collection Fund and accounts for business rates on behalf of itself, Worcestershire County Council, Hereford and Worcester Fire and Rescue Authority and Central Government. The Council share of the business rate assets and liabilities in 2019/20 was 0% in accordance with the Worcestershire Business Rate Pilot Pool that operated for that year. This compares with 40% in 2018/19. From 2020/21 the share of assets and liabilities will revert back to 40%.

Advance Payment to the Worcestershire Pension Fund (non-adjusting)

In April 2020 an upfront payment of £6.251m was made to Worcestershire Pension Fund for pension deficit funding and employers superannuation contributions for the period 2020-21 to 2022-23. The upfront payment meant the Council could benefit from a discount on the overall amount payable to the pension fund.

Bromsgrove Arts Development Trust (adjusting)

On 7th April 2020 Artrix announced that it had ceased trading. The Artrix building is included in the Group accounts within Property, Plant and Equipment Asset and this relates solely the Council 75% interest in the Artrix Building held by Bromsgrove Arts Development Trust. There has been a reduction in valuation in 2019/20 which is a result of a change in the valuation method from depreciated replacement cost as at 31st March 2019 to fair value as at 31st March 2020. The change of valuation method was selected by the Valuer (Bruton Knowles), with the agreement of the Council, following consideration of the circumstances at the Artrix where the operator had been unable to trade as a going concern following reductions to public subsidy. The valuation is akin to a surplus asset but no decision has been made about the future of the building and the matter will be extended for the foreseeable future due to Covid 19.

Bromsgrove District Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2020

Note 7 Expenditure and Funding Analysis For the current and comparative year

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's strategic purposes.

2019/20			Strategic Purpose	2018/19		
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
5,281	1,036	4,245	Enabling of the Authority	5,437	429	5,008
195	(55)	250	Help me be financially independent	249	(55)	304
633	(217)	850	Help me find somewhere to live in my locality	536	(258)	794
(520)	(61)	(459)	Help me run a successful business	(637)	(1,069)	432
(96)	(900)	804	Help me to live my life independently	(123)	(928)	805
4,368	(3,256)	7,624	Keep my place safe and looking good	4,822	(2,909)	7,731
1,761	(3,456)	5,217	Provide good things for me to see do and visit	627	(750)	1,377
11,622	(6,909)	18,531	Net Cost of Services	10,911	(5,540)	16,451
(11,589)	3,541	(15,130)	Other Income and Expenditure	(13,415)	(1,077)	(12,338)
33	(3,368)	3,401	Surplus or Deficit	(2,504)	(6,617)	4,113
(10,698)			Opening General Fund Balance	(8,194)		
33			Less/Plus Surplus or (Deficit) on General Fund Balance in Year	(2,504)		
(10,665)			Closing General Fund Balance at 31 March	(10,698)		

Bromsgrove District Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2020

Note 7a Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Statutory Adjustments	Other Differences	Total
	£000	£000	£000	£000	£000
Enabling of the Authority	402	489	0	145	1,036
Help me be financially independent	(55)	0	0	0	(55)
Help me find somewhere to live in my locality	(118)	(99)	0	0	(217)
Help me run a successful business	(61)	0	0	0	(61)
Help me to live my life independently	(900)	0	0	0	(900)
Keep my place safe and looking good	(1,339)	(1,913)	0	(4)	(3,256)
Provide good things for me to see do and visit	(3,456)	0	0	0	(3,456)
Net Cost of Services	(5,527)	(1,523)	0	141	(6,909)
Other Income and Expenditure from the Expenditure and Funding Analysis	2,347	(1,056)	2,397	(147)	3,541
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(3,180)	(2,579)	2,397	(6)	(3,368)

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Statutory Adjustments	Other Differences	Total
	£000	£000	£000	£000	£000
Enabling of the Authority	(112)	459	0	82	429
Help me be financially independent	(55)	0	0	0	(55)
Help me find somewhere to live in my locality	(157)	(101)	0	0	(258)
Help me run a successful business	(1,069)	0	0	0	(1,069)
Help me to live my life independently	(928)	0	0	0	(928)
Keep my place safe and looking good	(973)	(1,936)	0	0	(2,909)
Provide good things for me to see do and visit	(750)	0	0	0	(750)
Net Cost of Services	(4,044)	(1,578)	0	82	(5,540)
Other Income and Expenditure from the Expenditure and Funding Analysis	1,748	(885)	(1,858)	(82)	(1,077)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(2,296)	(2,463)	(1,858)	0	(6,617)

Bromsgrove District Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2020

Note 7b Segmental Income and Expenditure

Income and expenditure on a segmental basis are analysed below:

2019/20	Revenue from External Customers £000	Revenues from Transactions with Other Operating Segments of the Authority £000	Depreciation and Amortisation £000
Enabling of the Authority	(3,003)	(1)	167
Help me be financially independent	(377)	0	55
Help me find somewhere to live in my locality	(440)	0	144
Help me run a successful business	(1,466)	0	61
Help me to live my life independently	(392)	0	2
Keep my place safe and looking good	(7,612)	(353)	1,053
Provide good things for me to see do and visit	(210)	0	600
Total Income Analysed on a Segmental Basis	(13,500)	(354)	2,082

2018/19	Revenue from External Customers £000	Revenues from Transactions with Other Operating Segments of the Authority £000	Depreciation and Amortisation £000
Enabling of the Authority	(2,425)	(1)	92
Help me be financially independent	(684)	0	55
Help me find somewhere to live in my locality	(396)	0	157
Help me run a successful business	(1,578)	0	64
Help me to live my life independently	(390)	0	1
Keep my place safe and looking good	(7,114)	(319)	988
Provide good things for me to see do and visit	(285)	0	611
Total Income Analysed on a Segmental Basis	(12,872)	(320)	1,968

Bromsgrove District Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Note 8 Expenditure and Income Analysed by Nature

The authority's expenditure and income are analysed as follows:

Expenditure:	2019/20 £000	2018/19 £000
Employee Benefits Expenses	15,529	14,952
Other Expenditure	28,007	28,146
Depreciation, Amortisation, Impairment	2,082	1,968
Interest Payments	1,088	940
Precepts and Levies	911	882
Gain on the Disposal of Assets	(71)	(100)
Income:	2019/20 £000	2018/19 £000
Fees, Charges and other service Income	(13,500)	(12,872)
Interest and Investment Income	(15)	(7)
Income for Council tax, non-domestic rates, district rate income	(13,735)	(9,984)
Government grants and Contributions	(16,541)	(19,492)
Internal Recharges	(354)	(320)
(Surplus) or Deficit on the Provision of Services	3,401	4,113

Revenue from contracts with service recipients

Revenue from contracts with service recipients amounts to £5,204k of the £27,083k income in the Comprehensive Income and Expenditure Statement (CIES). The £5,204k equates to 19.2% of income which is significant and in the areas received fund a large part of the costs of providing the services. Compared with 2018/19 there has been a £410k increase in income mainly from Development Control income where we have received several large receipts from developers. The percentage of income from customer receipts has increased from 16.8% in 2018/19 to 19.2% in 2019/20. A summary of the income from service recipients is provided below:-

Service Area:	2019/20 £000	2018/19 £000
Car Parking	1,136	1,238
Garden, trade and bulky waste	1,641	1,521
Planning and Building Control	1,000	531
Licences - taxi and general	194	207
Cesspool emptying	216	196
Lifeline services	282	279
Bereavement	130	142
Leisure	104	155
Land Charges	80	78
Rents	188	267
Other	233	184
Total income from contracts with service recipients	5,204	4,798

The Council Policy on fees and charges is that

- all services should be charged where it is appropriate to do so, unless there are conflicting policies or legal reasons not to do so.
- the charge should (subject to market conditions) aim to maximise income from fees and charges by ensuring that the full cost of provision and enforcement is recovered, unless there are contrary policies, legal or contractual reasons.
- decisions to subsidise services, or to not make a charge for a service should be clearly linked to Council objectives, and the potential income that is not earned must be a consideration in the decision.
- Where the Council continues to subsidise the cost of services provided to customers, the level of subsidy should be clearly understood by the Service unit.
- Charges must be linked to both service and strategic objectives and must be clearly understood. the direct implications of charging for residents, and the indirect implications for public, private and voluntary sector partners should be clearly understood.
- any concessionary scheme should be based on ability to pay and be applied in a consistent and transparent approach across all Council services.
- where appropriate annual inflationary uplifts will be applied through the budget setting process, this will be agreed by the Council as part of the budget setting process.

Bromsgrove District Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2020

Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

Usable Reserves			
2019/20	General Fund Balance	Capital Receipts Reserve	Movement in Unusable Reserves
	£000	£000	£000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements.			
Pension cost (transferred to (or from) the Pensions Reserve)	2,580	0	(2,580)
Council tax and NDR (transfers to or from the Collection Fund)	(2,397)	0	2,397
Holiday pay (transferred to the Accumulated Absences reserve)	6	0	(6)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	5,006	0	(5,006)
Total Adjustments to Revenue Resources	5,195	0	(5,195)
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(67)	67	0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	(664)	0	664
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(1,095)	0	1,095
Total Adjustments to Revenue Resources	(1,826)	67	1,759
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	0	(443)	443
Total Adjustments to Capital Resources	0	(443)	443
Total Adjustments	3,369	(376)	(2,993)

Usable Reserves			
2018/19	General Fund Balance	Capital Receipts Reserve	Movement in Unusable Reserves
	£000	£000	£000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements.			
Pension cost (transferred to (or from) the Pensions Reserve)	2,464	0	(2,464)
Council tax and NDR (transfers to or from the Collection Fund)	1,858	0	(1,858)
Holiday pay (transferred to the Accumulated Absences reserve)	0	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	3,141		(3,141)
Total Adjustments to Revenue Resources	7,463	0	(7,463)
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(341)	341	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	1	(1)	0
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	(487)	0	487
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(14)	0	14
Total Adjustments to Revenue Resources	(841)	340	501
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0
Total Adjustments to Capital Resources	0	0	0
Total Adjustments	6,622	340	(6,962)

Bromsgrove District Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2020

Note 10 Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2019/20

	Balance as at 1 April 2018	Transfers In 2018/19	Transfers Out 2018/19	Balance as at 31 March 2019	Transfers In 2019/20	Transfers Out 2019/20	Balance as at 31 March 2020
	£000	£000	£000	£000	£000	£000	£000
General Fund:							
Building Control Other	7	0	0	7	0	0	7
Building Control Partnerships	58	26	(22)	62	29	(22)	69
Business Transformation	11	0	(11)	0	0	0	0
Commercialism	41	0	(7)	34	0	(24)	10
Community Safety	30	0	(30)	0	0	0	0
Community Services	40	0	(9)	31	41	(31)	41
Economic Regeneration	501	0	(25)	476	1,152	(285)	1,343
Election Services	98	14	(25)	87	24	(15)	96
Environmental Services	13	0	(5)	8	0	(6)	2
Financial Services	812	2,902	(95)	3,619	1,970	(2,443)	3,146
Housing Schemes	450	181	(119)	512	145	(181)	476
ICT/Systems	122	52	(10)	164	55	(15)	204
Leisure/Community Safety	277	176	(187)	266	180	(155)	291
Litigation Reserve	5	0	(5)	0	0	0	0
Local Development Framework	142	0	(112)	30	0	(30)	0
Local Neighbourhood Partnerships	16	0	0	16	0	0	16
Other	90	17	(21)	86	35	(6)	115
Planning & Regeneration	0	30	0	30	115	(37)	108
Regulatory Services (Partner Share)	41	0	(3)	38	3	(7)	34
Replacement Reserve (Inc. Recycling)	340	0	(340)	0	0	0	0
Shared Services (Severance Costs)	311	0	0	311	0	0	311
Total General Fund	3,405	3,398	(1,026)	5,777	3,749	(3,257)	6,269

Bromsgrove District Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Note 11 Other Operating Expenditure

	2019/20	2018/19
	£000	£000
Parish council precepts	911	882
(Gains)/losses on the disposal of non current assets	(67)	(100)
Total	844	782

Note 12 Financing and Investment Income and Expenditure

	2019/20	2018/19
	£000	£000
Interest payable and similar charges	32	55
Net interest on the net defined benefit liability (asset)	1,056	885
Interest receivable and similar income	(15)	(7)
Total	1,073	933

Note 13 Taxation and Non-Specific Grant Income and Expenditure

	2019/20	2018/19
	£000	£000
Income		
Council Tax Income	(9,252)	(8,884)
Non Domestic Rates Income and Expenditure	(4,483)	(1,100)
Non-ring-fenced government grants	(1,695)	(2,910)
Grants to Parishes	0	0
Capital Grants and Contributions	(1,617)	(1,159)
Total	(17,047)	(14,053)

Non domestic rate income and expenditure, often referred to as business rates, has changed significantly between 2018/19 and 2019/20. In 2018/19 business rates operated at a deficit the Council share being £1,841k. Conversely 2019/20 business rates operated at a surplus, mainly through the release on the 2017 rating list provision for appeals, the Council share being £1,914k.

Bromsgrove District Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2020

Note 14 Property, Plant and Equipment

Current Year

Property, Plant & Equipment (PP&E)									Group Assets £000	Total Group PPE £000
	Land £000	Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	PP&E Under Construction £000	Surplus Assets £000	Total PP&E £000		
Cost or Valuation										
Balance as at 1 April 2019	7,999	24,733	16,618	1,011	832	94	2,393	53,680	5,219	58,899
Adjusted opening balance	7,999	24,733	16,618	1,011	832	94	2,393	53,680	5,219	58,899
Additions (Note 35)	0	1,297	459	381	0	177	0	2,314	0	2,314
Revaluation increases/decreases to Revaluation Reserve	885	471	280	0	0	0	(11)	1,625	(3,235)	(1,610)
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(430)	(4,366)	0	0	0	0	569	(4,227)	(974)	(5,201)
Reclassifications & Transfers	450	0	0	0	0	0	(450)	0	0	0
Other movements	0	0	(11)	0	0	0	0	(11)	0	(11)
Balance as at 31 March 2020	8,904	22,135	17,346	1,392	832	271	2,501	53,381	1,010	54,391
Depreciation and Impairment										
Balance as at 1 April 2019	0	(949)	(8,878)	(432)	0	0	0	(10,259)	0	(10,259)
Depreciation Charge	0	(589)	(1,309)	(49)	0	0	0	(1,947)	(110)	(2,057)
Depreciation written out on Revaluation Reserve	0	387	264	0	0	0	0	651	110	761
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	0	698	0	0	0	0	0	698	0	698
Other movements	0	0	11	0	0	0	0	11	0	11
Balance as at 31 March 2020	0	(453)	(9,912)	(481)	0	0	0	(10,846)	0	(10,846)
Net Book Value										
Balance as at 31 March 2020	8,904	21,682	7,434	911	832	271	2,501	42,535	1,010	43,545
Balance as at 31 March 2019	7,999	23,784	7,740	579	832	94	2,393	43,421	5,219	48,640

Bromsgrove District Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2020

Note 14 a Comparative Year

	Property, Plant & Equipment (PP&E)								Group Asset £000	Total Group PPE £000
	Land	Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	PP&E Under Construction	Surplus Assets	Total PP&E		
	£000	£000	£000	£000	£000	£000	£000	£000		
Cost or Valuation										
Balance as at 1 April 2018	9,268	24,711	15,796	874	832	85	1,770	53,336	5,434	58,770
Adjusted opening balance	9,268	24,711	15,796	874	832	85	1,770	53,336	5,434	58,770
Additions (Note 35)	0	12	1,356	137	0	9	66	1,580		1,580
Revaluation increases/decreases to Revaluation Reserve	(352)	114	0	0	0	0	(133)	(371)	(215)	(586)
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(1,195)	123	0	0	0	0	(65)	(1,137)	0	(1,137)
Derecognition - Disposals	0	(227)	(534)	0	0	0	0	(761)	0	(761)
Derecognition - Other								0	0	0
Reclassifications & Transfers	278	0	0	0	0	0	755	1,033	0	1,033
Reclassified to/from Held for Sale	0	0	0	0	0	0	0	0	0	0
Balance as at 31 March 2019	7,999	24,733	16,618	1,011	832	94	2,393	53,680	5,219	58,899
Depreciation and Impairment										
Balance as at 1 April 2018	0	(438)	(8,212)	(390)	0	0	0	(9,040)	0	(9,040)
Adjusted opening balance	0	(438)	(8,212)	(390)	0	0	0	(9,040)	0	(9,040)
Depreciation Charge	0	(593)	(1,187)	(42)	0	0	0	(1,822)	(114)	(1,936)
Depreciation written out on Revaluation Reserve	0	15	0	0	0	0	0	15	114	129
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	0	67	0	0	0	0	0	67	0	67
Derecognition - Disposals	0	0	521	0	0	0	0	521	0	521
Derecognition - Other	0	0	0	0	0	0	0	0	0	0
Balance as at 31 March 2019	0	(949)	(8,878)	(432)	0	0	0	(10,259)	0	(10,259)
Net Book Value										
Balance as at 31 March 2019	7,999	23,784	7,740	579	832	94	2,393	43,421	5,219	48,640
Balance as at 31 March 2018	9,268	24,273	7,584	484	832	85	1,770	44,296	5,434	49,730

Bromsgrove District Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Other Land and Buildings - 8-75 years (Land is not depreciated but Buildings are based on Valuers Assessment)
- Vehicles, Plant and Equipment - 1-25 years
- Infrastructure - 5-20 years

Capital Commitments

There are no major capital commitments as at the 31st March 2020.

Revaluations

The basis for valuation of the individual classes of assets owned by the Council is explained in the Statement of Accounting Policies. The net book value as at 31 March represents the value of the assets belonging to the Council. The Council carries out a rolling programme that ensures that all Property, Plant and Equipment that is required to be measured at current value is revalued at least every five years. All valuations were carried out by the Council's valuation provider, Bruton Knowles. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

Valuations of non-current assets carried at current value:

Description	Land £000	Building £000	Surplus Assets £000	Other Asset Classes £000	Total £000
Valued at Historical Cost	0	278	0	9,448	9,726
Valued at current value in:					
2019/20	1,578	16,896	2,501	0	20,975
2018/19	6,051	816	0	0	6,867
2017/18	0	0	0	0	0
2016/17	282	255	0	0	537
2015/16	993	3,437	0	0	4,430
2014/15	0	0	0	0	0
Total	8,904	21,682	2,501	9,448	42,535

Other Asset Classes include Vehicles, Plant and Equipment (£7,434k), Infrastructure (£911k), Community Assets (£832k) and Assets Under Construction (£271k).

Building held at historic cost are assets constructed 2015/16 (£9k) and 2016/19 (£269k) which are yet to be revalued.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, less weight can be attached to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

The land and building valuations are therefore reported based on 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the valuations than would normally be the case.

Fair Value Hierarchy for Surplus Assets

Details of the authority's surplus assets and information about the fair value hierarchy as at 31 March 2020 and 2019 are as follows:

2019/20 Recurring fair value measurement using:	Quoted Prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31st March 2020 £000
Council House	0	1,970	0	1,970
Hanover Street	0	531	0	531
Total	0	2,501	0	2,501

2018/19 Recurring fair value measurement using:	Quoted Prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31st March 2019 £000
Council House	0	1,401	0	1,401
Hanover Street	0	542	0	542
Dolphin Centre	0	450	0	450
Total	0	2,393	0	2,393

Dolphin Centre car park has been removed from surplus assets as this has been included as the new car park within operational land and building.

Transfers between levels of the fair value hierarchy

There were no transfers between Levels 1 and 2 during the year.

Valuation Techniques used to Determine Level 2 and 3 Fair Values for Surplus Assets

Significant observable inputs – Level 2

The fair value for the assets have been based on the market value approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Highest and best use of surplus assets

In estimating the fair value of the authority's surplus assets, the highest and best use of the assets is their current use.

Valuation Techniques

There has been no change in the valuation techniques used during the year for surplus assets.

Valuation Process for Surplus Assets

The fair value of the authority's Surplus Assets is measured at £2,501k. All valuations are carried out Bruton Knowles in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The authority's valuation experts work closely with finance officers reporting directly to the chief financial officer on a regular basis regarding all valuation matters.

Bromsgrove District Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Note 15 Group Accounts

1.1 Nature of the relationship between Bromsgrove District Council and Bromsgrove Arts

The Bromsgrove Arts Development Trust was established on 23 April 2003 by Trust Deed, the Trustees have been registered with the Official Custodian of Charities, these include Members of Bromsgrove District Council.

The Council appoints the majority of the Members to this Trust with a representation of 6 of the 8 Trustees. As such this gives them the ability to influence decisions made by this Board. The Council supplies no funding for this Trust which solely holds the building known as the Artrix, it is not responsible for service provision and any assets or liabilities arising there from. As such the figures used for consolidation are based on the property valuation which has been carried out by an independent valuation service provided from Bruton Knowles.

The Arts Development Trust asset shown in the Group Balance Sheet (PPE) is the Artrix. This is used in the provision of Arts and Culture for the Community and is not the property of Bromsgrove District Council. It should be noted that although consolidation is being undertaken for this asset, not only does the Council not own it, in the event of a possible sale the Council has no right to a share of the proceeds nor can the Council determine whether or not sale of this property should be undertaken.

The Trust is not required to produce accounts by the Charities Commission because it has no actual income or expenditure during the year. The only entry for the Trust would be the depreciation calculated for the building.

There is no goodwill as the group did not arise through a purchase.

1.2 Property, Plant and Equipment

	31/03/2020		31/03/2019	
	BDC £000	Trust £000	BDC £000	Trust £000
Property, Plant & Equipment	42,535	1,010	43,421	5,219

The Property, Plant and Equipment Asset being consolidated within the Group accounts relates solely the Council 75% interest in the Artrix Building held by Bromsgrove Arts Development Trust. There has been a reduction in valuation in 2019/20 which is a result of a change in the valuation method from depreciated replacement cost as at 31st March 2019 to fair value as at 31st March 2020. The change of valuation method was selected by the Valuer (Bruton Knowles), with the agreement of the Council, following consideration of the circumstances at the Artrix where the operator had been unable to trade as a going concern following reductions to public subsidy.

1.3 Reconciliation of Group Movement in Reserves Statement to the Group Balance Sheet

The Group Movement in Reserves Statement is equal to the Reserves held on the Group Balance Sheet because the Group accounts only account for the Authority share of the in Artrix. There is a minority interest in Artrix of 25% of the asset value which was £336k as at 31st March 2020 (£1,739k 31st March 2019). The reduction representing the reduced valuation of the Artrix in 2019/20.

1.4 Usable Reserves

There is no impact on the Council's usable reserves as a result of preparing Group Accounts.

1.5 Unusable Reserves

	31/03/2020 £000	31/03/2019 £000
Revaluation Reserve	7,992	5,832
Capital Adjustment Account	15,715	18,403
Pensions Reserve	(48,429)	(46,244)
Collection Fund Adjustment Account	556	(1,841)
Accumulated Adjustments Account	(189)	(183)
Group Revaluation Reserve	-	3,125
Group Capital adjustment Account	1,010	2,093
Total	(23,345)	(18,815)

1.6 Group Comprehensive Income & Expenditure Statement

The Group comprehensive income and expenditure mirrors the single entity accounts with the exception of the following items:-

- depreciation charged in relation to the Artrix Building (£147k) and within Provide Good things for me to see do and visit. The minority interest of £37k is recorded under Associates and Joint Ventures accounted for on an equity basis.
- There has been a reduction in valuation of the Artrix of £5,465k of which the Council interest is £4,099k. A Company revaluation reserve of £4,166k (Council interest £3,125K) has been applied to cover the majority of the revaluation loss. The £4,166k is recorded under Surplus or deficit on revaluation of Property, Plant and Equipment and the minority interest of £1,041k recorded under Associates and Joint Ventures accounted for on an equity basis.
- The balance of the revaluation loss of £1,298k has been charged within Provide Good things for me to see do and visit with the minority interest of £324k recorded under Associates and Joint Ventures accounted for on an equity basis.
- In total the Associates and Joint Ventures accounted for on an equity basis includes the 25% share of the depreciation and 25% share of the revaluation loss and totals £1,402k.

Bromsgrove District Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Note 16 Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generally software.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £135k (£146k 18/19) charged to revenue in the current year was charged to the service area using the software, the largest being IT, Finance and Revenues.

All software is assigned a useful life of 7 years.

The Movement in Intangible Assets for the Year is as follows:

	2019/20 £000	2018/19 £000
Balance at start of year:		
· Gross carrying amounts	3,665	3,665
· Accumulated amortisation	(3,351)	(3,205)
Net carrying amount at start of year	314	460
Additions:		
· Purchases	237	0
Net carrying amount after additions	551	460
Derecognition Other		
Amortisation for the period	(135)	(146)
Net carrying amount at end of year	416	314
Comprising:		
· Gross carrying amounts	3,902	3,665
· Accumulated amortisation	(3,486)	(3,351)
Total	416	314

Bromsgrove District Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2020

Note 17 Financial Instruments

	Current						Non-Current					
	Investments		Debtors		Total		Investments		Debtors		Total	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019	31/03/2020	31/03/2019	31/03/2020	31/03/2019	31/03/2020	31/03/2019	31/03/2020	31/03/2019
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Financial Assets												
Cash not falling into the following categories	1,393	1,687	0	0	1,393	1,687	0	0	0	0	0	0
Fair Value through profit and loss	0	0	0	0	0	0	0	0	0	0	0	0
Amortised cost	2,000	0	7,109	4,615	9,109	4,615	0	0	330	320	330	320
Total Financial Assets	3,393	1,687	7,109	4,615	10,502	6,302	0	0	330	320	330	320
Non-Financial Assets	0	0	449	2,209	449	2,209	0	0	0	0	0	0
Total	3,393	1,687	7,558	6,824	10,951	8,511	0	0	330	320	330	320

	Current						Non-Current					
	Borrowing		Creditors		Total		Borrowing		Creditors		Total	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019	31/03/2020	31/03/2019	31/03/2020	31/03/2019	31/03/2020	31/03/2019	31/03/2020	31/03/2019
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Financial Liabilities												
Fair Value through profit and loss	(22)	(22)	0	0	(22)	(22)	0	0	0	0	0	0
Amortised Cost	(4,750)	(13,500)	(6,218)	(3,820)	(10,968)	(17,320)	0	0	0	0	0	0
Total Financial Liabilities	(4,772)	(13,522)	(6,218)	(3,820)	(10,990)	(17,342)	0	0	0	0	0	0
Non-Financial Liabilities	0	0	(6,464)	(1,302)	(6,464)	(1,302)	0	0	0	0	0	0
Total	(4,772)	(13,522)	(12,682)	(5,122)	(17,454)	(18,644)	0	0	0	0	0	0

Soft Loans

	2019/20	2018/19
	£000	£000
Opening Soft Loans	224	215
Nominal Value of New Loans Granted During the Period	11	7
The fair value adjustment on initial recognition	3	(2)
Loans Repaid During the Period	(3)	(2)
Reclassification	0	0
The fair value adjustment on reclassification/prior year	0	6
Other changes	0	0
Nominal value of loans at the end of the period	235	224

The new advances are lifetime loans granted to owner occupiers which will be repaid on the sale of the property. The reclassification relates to lifetime loans granted to owner occupiers and loans to owners of homes of multiple occupation in previous years which will be repaid on the sale of the property. In all cases no interest is charged on the loans and a fair value adjustment has been made assuming the loan is repaid after 10 years.

Bromsgrove District Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Note 18 Inventories

	Consumable Stores	
	2019/20	2018/19
	£000	£000
Balance outstanding at start of year	229	208
Purchases	615	633
Recognised as an expense in year	(614)	(619)
Written off balances	(1)	7
Balance outstanding at year end	229	229

Note 19 Debtors

	Long term debtors		Short term debtors	
	2019/20	2018/19	2019/20	2018/19
	£000	£000	£000	£000
Central Government Bodies	0	0	882	810
Other Local Authorities	0	0	3,641	2,333
Other entities and individuals	330	320	4,326	5,270
Less bad debt provision	0	0	(1,291)	(1,589)
Total	330	320	7,558	6,824

The increase in the other local authority debtors is the inclusion of a business rate accrual for £1,914k from Worcestershire County Council relating to the 2019/20 surplus from the Worcestershire Business Rate Pilot Pool.

Other entities and individuals have reduced because the Council share of business rate arrears (£555k) included in the 2018/19 figure is now fully allocated to Central Government, Worcestershire County Council and HWFA under the new business rate arrangements in the Pilot Pool.

Included within the debtors balance are provisions for bad and doubtful debts which reduce the value of the related debtor as per the breakdown below:

	2019/20	2018/19
	£000	£000
General Fund Debtors	61	32
Council Tax	419	374
NNDR	8	371
Housing Benefit	803	812
Total	1,291	1,589

Note 20 **Cash and Cash Equivalents**

Cash and cash equivalents at the end of the reporting period can be reconciled to the related items in the Balance Sheet as follows:

	2019/20 £000	2018/19 £000	2017/18 £000
Cash and Bank balances	1,393	1,687	314
Bank Overdraft	0	0	(306)
Total	1,393	1,687	8

Bromsgrove District Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Note 21 Assets Held for Sale

	Current	
	2019/20 £000	2018/19 £000
Balance outstanding at start of year	0	1,033
Additions	0	0
Assets declassified as held for sale:		
- Property Plant and Equipment	0	(793)
- Surplus Assets	0	(240)
Assets sold	0	0
Balance outstanding at year-end	0	0

In 2018/19 the Council declassified two assets it was holding as assets held for sale. One of the assets has been transferred back to operational Property, Plant and Equipment. An offer that had been received on the site but it was conditional on the planning process and therefore there was uncertainty around when the sale will complete, the asset remains in use as an operational car park.

The other asset held for sale was Hanover Street Phase 2 this had a conditional offer held on it but the sale of this site had fallen through and was therefore transferred to surplus assets.

Note 22 Creditors

	Short term creditors	
	2019/20 £000	2018/19 £000
Central Government bodies	(3,719)	(327)
Other local authorities	(6,760)	(3,330)
Other Entities and Individuals	(2,203)	(1,465)
Total	(12,682)	(5,122)

The increase in Central Government creditors includes £1,650k receipt in advance in respect of Section 31 grant for 202/21 to support cashflow as a result of Covid 19 and the Central Government share of the 2019/20 business rate resources (£1,676k). The other local authorities mainly represents Worcestershire County Council share of the 2019/20 business rate resources (£3,791k).

Bromsgrove District Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Note 23 Provisions

	Balance as at 1 April 2019 £000	Change in provision during year £000	Utilised during year £000	Balance as at 31 March 2020 £000
Business Rates Appeals	(1,311)	1,311	0	0
Employee Benefits	(183)	(6)	0	(189)
Insurance Provision	(67)	67	0	0
Total	(1,561)	1,372	0	(189)

Comparative Year

	Balance as at 1 April 2018 £000	Change in provision during year £000	Utilised during year £000	Balance as at 31 March 2019 £000
Business Rates Appeals	(1,303)	(440)	432	(1,311)
Employee Benefits	(183)	0	0	(183)
Insurance Provision	(67)	0	0	(67)
Total	(1,553)	(440)	432	(1,561)

Business Rates Appeals Provision

Within the Collection Fund the Council has set aside provision for any potential liabilities as a result of business rates appeals against rateable value. A provision has been made for all outstanding appeals relating to the rate revaluation undertaken in 2010 and 2017 and also set aside a provision for General Practitioner and Automated Teller Machines (ATMs) where there was a legal challenge in place against unsuccessful rating appeals. The challenge has been upheld in May 2020.

Unlike previous years there is no allocation of the business rate appeals to the Council because of the arrangements in place in 2019/20 whereby Worcestershire County Council have taken the lead on a Pilot Business Rate Pool covering all of Worcestershire securing 75% of the business rate resources to the area compared with 50% in previous years. The Council has continued to receive a share of the business rate resources in the General Fund based on a no detriment basis.

Insurance Provision

An insurance provision was created in 2017/18 to cover the cost of a potential levy from Municipal Mutual Insurance Limited (MMI). MMI previously provided assets, employer and public liability insurance to the Council but is now in administration. The levy represents 25% of the claims. On further investigation in 2019/20 it was identified that the levy had been paid to MMI on 14th April 2016 and the provision can now be released.

Bromsgrove District Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Note 24 Usable Reserves

	31/03/2020 £000	31/03/2019 £000
General Fund Balances	4,402	4,926
Earmarked Reserves	6,269	5,777
Capital Receipts Reserve	612	988
Total Usable Reserves	11,283	11,691

Capital Receipts Reserve

These are receipts from the sale of Council assets, which have not yet been used to finance capital expenditure.

	31/03/2020 £000	31/03/2019 £000
Balance 1 April	988	648
Capital Receipts in year	67	340
Sub-Total	1,055	988
Less:		
Capital Receipts used for financing	(443)	0
Balance 31 March	612	988

Since 1st April 2016 local authorities have had more flexibility in the use of capital receipts. There is greater scope to use the capital receipts to fund upfront costs that will generate ongoing savings and/or transform service delivery. All of the £612k held at 31st March 2020 are available to be used either for financing capital investment or funding projects qualifying for the flexible use.

Bromsgrove District Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Note 25 Unusable Reserves

	31/03/2020	31/03/2019
	£000	£000
Revaluation Reserve	7,992	5,832
Capital Adjustment Account	15,715	18,403
Pensions Reserve	(48,429)	(46,244)
Collection Fund Adjustment Account	556	(1,841)
Accumulated Absences Account	(189)	(183)
Total Unusable Reserves	(24,355)	(24,033)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment.

The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost. used in the provision of services and the gains are consumed through depreciation, or disposed
- of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	31/03/2020	31/03/2019
	£000	£000
Balance at 1 April	5,832	6,267
Upward revaluation of assets	2,276	0
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		
	2,276	(356)
Difference between fair value depreciation and historical cost depreciation	(116)	14
Revaluation balances on assets scrapped or disposed of	0	(93)
Amount written off to the Capital Adjustment Account	(116)	(79)
Derecognition of Property disposed of	0	0
Balance at 31 March	7,992	5,832

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account

	31/03/2020		31/03/2019	
	£000	£000	£000	£000
Balance at 1 April		18,403		20,964
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	(1,947)		(1,822)	
Revaluation losses on Property, Plant and	(3,529)		(1,070)	
Amortisation of Intangible Assets	(135)		(146)	
Revenue expenditure funded from capital under statute	(1,012)		(1,022)	
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0		(240)	
		(6,623)		(4,300)
Adjusting amounts written out of the Revaluation Reserve		116		79
Net written out amount of the cost of non current assets consumed in the year		(6,507)		(4,221)
Capital financing applied in the year:				
Use of the Capital Receipts Reserve to finance new capital expenditure	443		0	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital	1,617		1,159	
Statutory provision for the financing of capital investment charged against the General Fund	664		487	
Capital expenditure charged against the General Fund	1,095		14	
		3,819		1,660
Balance at 31 March		15,715		18,403

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	31/03/2020 £000	31/03/2019 £000
Balance at 1 April	(46,244)	(38,453)
Remeasurements of the net defined benefit liability/(asset)	395	(5,327)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(5,113)	(5,084)
Employers pensions contributions and direct payments to pensioners payable in the year	2,533	2,620
Balance at 31 March	(48,429)	(46,244)

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	31/03/2020 £000	31/03/2019 £000
Balance at 1 April	(1,841)	17
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	2,397	(1,858)
Balance at 31 March	556	(1,841)

Accumulated Absences Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	31/03/2020 £000	31/03/2019 £000
Balance at 1 April	(183)	(183)
Settlement or cancellation of accrual made at the end of the preceding year	183	183
Amounts accrued at the end of the current year	(189)	(183)
Balance at 31 March	(189)	(183)

Bromsgrove District Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Note 26 Cash Flow Statement - operating activities

The cash flows from operating activities include the following items

	2019/20 £000	Restated 2018/19 £000	Originally Stated 2018/19 £000
Interest Paid	(32)	(55)	(55)
Interest Received	15	7	7

	2019/20 £000	2018/19 £000	2018/19 £000
Adjustment to surplus or deficit on the provision of services for noncash movements			
Depreciation	1,947	1,822	1,822
Impairment & downward valuations	3,529	1,070	1,070
Amortisation	135	146	146
(Increase)/Decrease in Debtors	(1,702)	1,713	1,713
Increase/(Decrease) in Creditors	1,330	(819)	(819)
Increase in Inventories	0	(22)	(22)
Movement in pension liability	4,731	4,662	3,511
Carrying amount of non-current assets, and non-current assets held for sale, sold or de-recognised	0	240	240
Other items charged to the net surplus or deficit on provision of services	(1,376)	3	3
Total	8,594	8,815	7,664

Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities			
Proceeds from the sale of PP&E, investment property and intangible assets	(67)	(341)	(341)
Any other items	(1,617)	(1,159)	(1,159)
Total	(1,684)	(1,500)	(1,500)

A comparison column has been included within note 26 of the Cashflow notes. An amendment was made to the pension liability in 2018/19 but the notes to the cashflow were not updated to reflect this change. The restatement of 2018/19 is to reflect this.

Note 27 Cash Flow From Investing Activities

	2019/20 £000	2018/19 £000
Purchase of PP&E, investment property and intangible assets	(2,126)	(1,874)
Purchase of Short Term Investments (not considered to be cash equivalents)	(90,000)	(157,200)
Other Payments for Investing Activities	(11)	(22)
Proceeds from the sale of PP&E, investment property and intangible assets	67	341
Proceeds from Short Term Investments (not considered to be cash equivalents)	88,000	157,200
Other Receipts from Investing Activities	2,243	1,109
Net Cash flows from Investing Activities	(1,827)	(446)

Note 28 Cash flows from Financing Activities

	2019/20 £000	2018/19 £000
Cash Receipts from Short and Long Term Borrowing	29,750	54,500
Repayment of Short and Long Term Borrowing	(38,500)	(54,000)
Other payments for Financing Activities	6,775	(1,577)
Net Cash flows from Financing Activities	(1,975)	(1,077)

Note 29 Reconciliation of Liabilities from Financial Activities**2019/20**

	Long Term Borrowing £000	Short Term Borrowing £000
Balance as at 1 April 2019	0	13,522
Cashflows:		
Repayments	0	(38,500)
Borrowing	0	29,750
Balance as at 31 March 2020	0	4,772

The reduction in short term borrowing is mainly due to the recovery of business rate deficits in 2019/20 and the benefit of having paid the 2019/20 pension contributions in advance, more analysis is provided in Note 5. The underlying requirement for short term borrowing is to fund the capital financial requirement (see note 35). It is therefore funding property, plant and equipment with long useful lives. In the medium term it is likely that Council will replace short term with long term borrowing when this is considered to be in the best financial interest of the Council.

Bromsgrove District Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Note 30 Members' Allowances

During the year Members allowances, including Employer's costs totalled £216k (2018/19 £208k) and are as follows:

	2019/20	2018/19
	£000	£000
Basic Allowances	140	136
Special Allowances	65	61
Expenses Inc. Car Allowances	11	11
Total	216	208

Note 31 External Audit Costs

The Council has incurred the following costs relating to the annual audit of the Statement of Accounts, certification of grant claims and other services provided by the Councils external auditors.

	2019/20	2018/19
	£000	£000
Housing Benefit Fee Variations *	2	4
Fee Variations agreed for External Audit *	8	5
Housing Benefit Audit	13	13
Fees payable with regard to external audit services carried out by the appointed auditor for the year	45	37
Estimated Additional fees to be incurred **	4	0
Total	72	59

* Please note the fee variations agreed for External audit are in relation to previous year.

** An accrual has been made for expected additional costs associated with the 2019/20 audit based on previous year costs incurred.

Bromsgrove District Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2020

Note 32 Employee Remuneration

Since 2010/11 the management team has been shared between Bromsgrove District Council and Redditch Borough Council, with each Council charging 50% of the cost of each post.

		Salary, Fees and Allowances £	Pension Contribution £	Total £	50% share to Redditch £	Revised Total
Officers Remuneration Bromsgrove District Council (50% recharged to Redditch Borough Council):						
Chief Executive - Kevin Dicks	2019/20	135,317	19,486	154,803	77,402	77,402
	2018/19	132,664	19,104	151,768	75,884	75,884
Executive Director of Resources	2019/20	100,134	14,419	114,554	57,277	57,277
	2018/19	98,171	14,137	112,308	56,154	56,154
Head Of Legal & Democratic Services	2019/20	82,814	11,925	94,739	47,370	47,370
	2018/19	81,190	11,691	92,881	46,441	46,441
Total	2019/20	318,266	45,830	364,096	182,048	182,048
	2018/19	312,025	44,932	356,957	178,478	178,478
Officers Remuneration Redditch Borough Council (50% recharged to Bromsgrove District Council):						
		Salary, Fees and Allowances £	Pension Contribution £	Total £	50% share to Bromsgrove £	Total
Deputy Chief Executive and Executive Director of Leisure, Environmental & Community	2019/20	108,254	15,913	124,167	62,084	62,084
	2018/19	106,131	15,601	121,732	60,866	60,866
Total	2019/20	108,254	15,913	124,167	62,084	62,084
	2018/19	106,131	15,601	121,732	60,866	60,866

Senior Employees' Remuneration

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Bromsgrove District Council

	2019/20	2018/19
£50,001 to £55,000	2	1
£55,001 to £60,000	9	10
£60,001 to £65,000	2	0
£65,001 to £70,000	0	1
£70,001 to £75,000	0	1
£75,001 to £80,000	0	0
£80,001 to £85,000	1	1
£85,001 to £90,000	0	1
£90,001 to £95,000	1	0
Total	15	15

Redditch Borough Council

	2019/20	2018/19
£50,001 to £55,000	0	1
£55,001 to £60,000	2	2
£60,001 to £65,000	1	1
£65,001 to £70,000	1	0
£70,001 to £75,000	0	0
£75,001 to £80,000	0	0
£80,001 to £85,000	3	1
£85,001 to £90,000	0	2
£90,001 to £95,000	0	0
Total	7	7

Exit Packages

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
£0-£20,000	0	0	0	4	0	4	0	39,247
£20,001 - £40,000	0	0	0	0	0	0	0	0
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£101,001 - £150,000	0	0	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	0	0	0	0	0
Total cost included in bandings							0	39,247
Recharge to Redditch Borough Council							0	(19,623)
Recharge to Worcestershire Regulatory Services							0	0
Cost to Bromsgrove District Council							0	19,624
Exit Packages undertaken by Redditch Borough Council with a shared cost to Bromsgrove District Council							59,491	0
Total cost included in the CIES							59,491	19,624

Bromsgrove District Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Note 33 Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19 and 2019/20.

Credited to Taxation and Non-Specific Grant Income	2019/20	2018/19
	£000	£000
Revenue Support Grant	0	0
New Homes Bonus	(1,589)	(1,643)
Section 31	0	(1,250)
Capital Grants	(1,617)	(1,159)
Non ring-fenced Grant	(114)	(17)
Total	(3,320)	(4,069)

Credited to Services	2019/20	2018/19
	£000	£000
MHCLG Local Council Tax Support Admin Subsidy	(70)	(71)
MHCLG New Burdens	(20)	(27)
MHCLG NNDR Cost of Collection	(126)	(121)
MHCLG Homelessness Grants	(101)	(147)
MHCLG Planning Enforcement Grants	(50)	0
MHCLG COVID 19	(12)	0
Other MHCLG Grant Income	(32)	(45)
DWP Admin Grant	(148)	(165)
DWP Discretionary Housing	(55)	(86)
DWP Housing Benefit Subsidy	(12,503)	(14,621)
Other DWP Grant Income	(63)	(92)
Cabinet Office Grants	(31)	(14)
WCC Rough Sleepers	0	(27)
Other WCC Grants	(2)	(5)
Apprenticeship Levy	(8)	(2)
Total	(13,221)	(15,423)

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver if the conditions are not met. The balances at year-end are as follows:

Current Liabilities

Grants Received in Advance (Revenue)	2019/20	2018/19
	£000	£000
DEFRA	(6)	(6)
Improvement and Development Agency - Productivity Expert	(6)	(6)
Other Grants	(5)	(5)
Total	(17)	(17)

Long-term Liabilities

Grants Received in Advance (Capital)	2019/20	2018/19
	£000	£000
Disabled Facilities Grants	(552)	(187)
Section 106	(890)	(632)
Total	(1,442)	(819)

Bromsgrove District Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Note 34 Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits).

Members

Members of the council have direct control over the council's financial and operating policies. The total of members allowances paid in 2019/20 is shown in Note 30. The Council maintains a register of Councillors interests that is regularly updated and available online for public inspection.

During 2019/20, many Bromsgrove District Councillors were also County Councillors and/or elected members of the parish council. The Council also has member representatives on various outside bodies, including Bromsgrove Arts Centre Trust. Members also represent the Council on the Worcestershire Regulatory Shared Service Joint Committee.

The Council has entered into a contract with BDHT for the provision of homelessness services and is also part of the Worcestershire wide choice based lettings housing allocations service. Bromsgrove paid to BDHT £304k for the homelessness service.

Officers

There were no disclosures made by officers in 2019/20.

Entities Controlled or Significantly Influenced by the Council

As part of the shared services with Redditch Borough Council, Bromsgrove paid £3,198k (2018/19: £3,210k) for Redditch hosted services and received £6,107k (2018/19: £6,186k) for services hosted at Bromsgrove.

The Council has been involved in shared service arrangements for Economic Development, Land Drainage and Shared Emergency Planning with Wyre Forest District Council. The Council has paid £351k to Wyre Forest for services hosted by them.

A shared service arrangement has also been set up between the Council, Redditch Borough and Wyre Forest for the provision of Building Control. Bromsgrove received receipts of £124k from Wyre Forest.

For the provision of Car Park Services, the Council paid £223k to Wychavon District Council.

Under the Internal Audit Shared Service, the Council paid £52k to Worcester City Council.

A shared service arrangement exists between Redditch Borough Council, Bromsgrove District Council and Cannock Chase Council for provision of the Lifeline service. Bromsgrove receive income of £20k for this service.

As host of the Worcester Regulatory Shared Service Bromsgrove has received £398k from Malvern Hills District Council, £474k from Wyre Forest District Council, £724k from Wychavon District Council, £557k Worcester City Council, and £556k from Redditch Borough Council.

At 31 March 2020 the following amounts were owed to the partners of shared service:

	£000
Worcester City Council	74 (31 March 2019 £101k)
Redditch Borough Council	51 (31 March 2019 £85k)
Wychavon District Council	65 (31 March 2019 £108k)
Wyre Forest District Council	79 (31 March 2019 £91k)
Malvern Hills District Council	40 (31 March 2019 £67k)

The following amounts were owed to Bromsgrove for hosting the shared service:

	£000
Worcester City Council	56 (31 March 2019 £32k)
Redditch Borough Council	22 (31 March 2019 £18k)
Wychavon District Council	23 (31 March 2019 £10k)
Wyre Forest District Council	17 (31 March 2019 £5k)
Malvern Hills District Council	12 (31 March 2019 £13k)

These balances have been included within the relevant debtors and creditors balances.

From June 2016 Worcestershire County Council withdrew from Worcester Regulatory Services.

Summary of creditors and debtors as at year end with above named bodies

Service	Council	Value of service in 2019-20 £'000	Payment due from BDC as 31/03/2020 £'000	Receipt due to BDC at 31/03/2020 £'000
Car Parking services	Wychavon District Council	223	60	0
NWEDR	Wyre Forest	351	90	0
Building Control	Wyre Forest	(124)	0	20
Internal audit	Worcester City Council	52	9	0
Lifeline Service	Cannock Chase Council	(20)	0	0

Bromsgrove District Council

Notes to the Financial Statements
FOR THE YEAR ENDED 31 MARCH 2020

Note 35 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

Capital Expenditure and Capital Financing	2019/20	2018/19
	£000	£000
Opening Capital Financing Requirement	19,927	18,978
Capital Investment		
Property, Plant and Equipment	2,314	1,580
Intangible Assets	237	0
Long Term Debtor	11	7
Revenue Expenditure Funded from Capital under Statute	1,012	1,022
Total	3,574	2,609
Sources of finance		
Capital receipts	(443)	0
Government grants and other contributions	(1,617)	(1,159)
Sums set aside from revenue:		
Direct revenue contributions:		
General Fund	(1,095)	(14)
Minimum Revenue Provision (MRP)	(664)	(487)
	(3,819)	(1,660)
Closing Capital Finance Requirement	19,682	19,927
Explanation of movements in year		
Increase in underlying need to borrowing (unsupported by government	(245)	948
Increase/(decrease) in Capital Financing Requirement	(245)	948

Bromsgrove District Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Note 36 Leases

Operating and Finance Leases

Authority as Lessee:

Operating Leases (Authority as lessee)

The Authority has entered into an agreement for a lease of land to operate a car park at Market Place, Bromsgrove which became operational in 2017/18.

The future minimum lease payments due under operating leases in future years are set out below:

	31/03/2020 £000	31/03/2019 £000
Minimum lease rentals payable:		
No later than 1 year	25	0
Later than 1 year and no later than 5 years	100	100
Later than 5 years	175	200
Total	300	300

Authority as Lessor:

Operating Leases (Authority as lessor)

The Authority, in accordance with its statutory and discretionary responsibilities, leases out property and equipment under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for small local businesses
- any other purposes.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31/03/2020 £000	31/03/2019 £000
No later than 1 year	62	61
Later than 1 year and no later than 5 years	235	233
Later than 5 years	147	250
Total	444	544

The Authority leases out Land and Buildings on operating leases these include Sanders Park, Victoria Ground and Barnsley Hall Football Pitches. The income for these have been credited to the CIES. The amounts received in 2019/20 were £62k and 2018/19 £62k.

Bromsgrove District Council

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2020

Note 37 Defined Benefit Pension Schemes

Retirement Benefits

Participation in the Local Authority Pension Scheme

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits within the Local Government Pension Scheme. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Authority participates in two post-employment schemes:

- * The Local Government Pension Scheme, administered locally by Worcestershire County Council - this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.
- * Arrangements for the award of discretionary post-retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However there are no investment assets built up to meet these liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.
- * The Worcestershire County Council pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of Worcestershire County Council. Policy is determined in accordance with the Public Service Pensions Act 2013.
- * The principal risks to the Authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

Transactions relating to Post-Employment Benefits

The Authority recognises the cost of retirement benefits in the reported cost of service when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge the Authority is required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement on Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Discretionary Benefits	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Comprehensive Income and Expenditure Statement				
<i>Cost of services:</i>				
<i>Service cost comprising:</i>				
Current service cost	3,256	2,924	0	0
Past service cost	801	1,275	0	0
Financing and Investment Income and Expenditure:				
Net Interest expense	1,009	832	47	53
Total post-employment benefits charged to the Surplus of Deficit on the Provision of Services	5,066	5,031	47	53
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement				
<u>Remeasurement of the net defined benefit liability comprising:</u>				
Return on plan assets (excluding the amount included in the net interest expense)	5,031	(1,120)	0	0
Actuarial (gains) and losses arising on changes in demographic assumptions	(3,844)	0	(51)	0
Actuarial (gains) and losses arising on changes in financial assumptions	(2,714)	6,340	(22)	70
Actuarial (gains)/losses from experience	1,257	0	(90)	0
Other	38	37	0	0
Total Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement	(232)	5,257	(163)	70
Total post employment benefits charged to the Comprehensive Income and Expenditure Statement	4,834	10,288	(116)	123

Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(5,066)	(5,031)	(47)	(53)
Actual amount charged against the general fund balance for pensions in the year:				
Employers' contributions payable to scheme	2,394	2,493	0	0
Retirement benefits payable to pensioners	0	0	139	127

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme		Discretionary Benefits	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Present value of the defined obligation	(121,338)	(122,245)	(1,831)	(2,086)
Fair value of plan assets	74,738	78,085	0	0
Sub-total	(46,600)	(44,160)	(1,831)	(2,086)
Advance Payment of Pension Contributions	0	2,151	0	0
Net liability arising from the defined benefit obligation	(46,600)	(42,009)	(1,831)	(2,086)

The present value of the defined obligations includes as an estimated cost following the decision of the Sargeant/McCloud cases (generally referred to as McCloud) which rules that the transitional protections offered to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination. The Government has accepted that remedies relating to the McCloud judgement will need to be made in relation to all public service pension schemes including the Local Government Pension Scheme. However, whilst it is highly unlikely that the exact form of the remedy will be known in the immediate future, and therefore any cost at this stage can only be an estimate.

In April 2017 the Council made an advance payment of pension contributions 2017/18 to 2019/20 to the Pension Fund in order to secure a reduction in the amount in each of the three financial years. Greater detail is provided later in this note under the heading 'Impact on the Authority's cash flows'. As at 31st March 2019 the Pension Liability is £2,151k lower than the Pension Reserve representing the advance payment relating 2019/20. An advance payment for the financial years 2020/21 to 2022/23 was made on 30th April 2020, after the financial year end, and therefore there is no adjustment required for the year ended 31st March 2020.

It is anticipated that the future value of Pension Fund investments may be exposed to increased market volatility as a result of COVID-19 and this may impact on the value of the fund in the short to medium term; however it is not possible to reliably estimate the financial impact of this on the position and performance of the fund in future periods.

The Worcestershire Pension Fund Accounts provide more specific detail regarding the impact of COVID-19 in the accompanying disclosure notes concerning Funding Arrangements and Accounting Assumptions and the Chief Financial Officer's foreword.

Reconciliation of movements in the fair value of scheme assets

	Local Government Pension Scheme		Discretionary Benefits	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Opening fair value of scheme assets	78,085	75,030	0	0
Interest income	1,900	2,036	0	0
Remeasurement gain/(loss):				
the return on plan assets, excluding the amount included in the net interest expense	(5,031)	1,120	0	0
Contributions from employer	2,394	2,493	139	127
Contributions from employees into the scheme	648	626	0	0
Benefits/transfers paid	(3,220)	(3,183)	(139)	(127)
Administration Expenses	(38)	(37)	0	0
Closing value of scheme assets	74,738	78,085	0	0

Reconciliation of present value of the scheme liabilities:

	Local Government Pension Scheme		Discretionary Benefits	
	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000
Opening balance at 1 April	(122,245)	(111,395)	(2,086)	(2,090)
Current service cost	(3,256)	(2,924)	0	0
Interest cost	(2,909)	(2,868)	(47)	(53)
Contributions from scheme participants	(648)	(626)	0	0
Remeasurement (gains) and losses:				
Actuarial gains/(losses) from changes in demographic assumptions	3,844	0	51	0
Actuarial gains/(losses) from changes in financial assumptions	2,714	(6,340)	22	(70)
Actuarial gains/(losses) from experience	(1,257)	0	90	0
Past service cost	(801)	(1,151)	0	0
Losses/(gains) on curtailments where relevant	0	(124)	0	0
Benefits/transfers paid	3,220	3,183	139	127
Balance as at 31 March	(121,338)	(122,245)	(1,831)	(2,086)

Local government pension scheme assets comprised:

	Fair value of scheme assets	
	31/03/2020 £000	31/03/2019 £000
Cash and cash equivalents	450	1,796
Equities:		
UK Quoted	150	158
Overseas Quoted	18,086	20,612
PIV- UK Managed	9,417	10,464
PIV- UK Managed (overseas)	25,037	24,910
PIV- Overseas Managed	74	0
Sub-total equity	52,764	56,144
Bonds:		
Corporate	299	234
Overseas Corporate	3,438	3,592
UK Government Fixed	5,381	6,324
Overseas Government	74	0
Sub-total bonds	9,192	10,150
Property:		
European Property Fund	1,719	2,030
UK Property Debt	523	703
Overseas Property Debt	374	469
UK Property Funds	1,569	1,718
Overseas REITs	150	0
Sub-total property	4,335	4,920
Alternatives		
UK Infrastructure	3,662	2,811
European Infrastructure	2,018	1,484
US Infrastructure	1,345	234
UK Stock Options	523	546
Overseas Stock Options	(448)	0
Corporate Private Debt	897	0
Sub-total other investment funds	7,997	5,075
Total assets	74,738	78,085

All scheme assets have quoted prices in active markets.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Mercers, an independent firm of actuaries, estimates for the County Council Pension Fund being based on the latest full valuation of the scheme as at 1 April 2019.

The significant assumptions used by the actuary are set out below:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2019/20	2018/19	2019/20	2018/19
Mortality assumptions:				
<i>Longevity at 65 current pensioners:</i>				
Men	22.6	22.8	22.6	22.8
Women	25.0	25.8	25.0	25.8
<i>Longevity at 65 for future pensioners:</i>				
Men	24.2	25.1	24.2	25.1
Women	27.0	28.2	27.0	28.2
Financial assumptions:				
Rate of inflation	2.1%	2.2%	2.1%	2.2%
Rate of increase in salaries	3.6%	3.7%	3.6%	3.7%
Rate of increase in pensions	2.2%	2.3%	2.2%	2.3%
Discount Rate	2.4%	2.4%	2.4%	2.4%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above.

The sensitivity analysis below have been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

The longevity assumptions, for example, assume that life expectancy increases or decreases for men and women. In practice this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligation in the	
	Increase in assumption	Decrease in assumption
	£000	£000
Longevity (increase or decrease in one year)	3,303	(3,303)
Rate of inflation (increase or decrease by 0.1%)	2,147	(2,147)
Rate of increase in salaries (increase or decrease by 0.1%)	321	(321)
Rate for discounting liabilities (increase or decrease by 0.1%)	(2,109)	2,109
Change in 2019/20 investment returns (increase or decrease by 1%)	(756)	756

Impact on the Authority's cash flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Actuarial Valuation as at 31st March 2019 the average recovery period is 15 years for correcting the imbalance between existing assets and past service liabilities. Funding levels are monitored at each Actuarial Review.

The scheme takes into account the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The weighted average duration of the defined benefit obligation for scheme members is 17 years (2018/19 18 years).

In April 2017 the Council made an advanced payment to Worcestershire Pension Fund for the deficit payments due 2017/18-2019/20 and 90% of the expected pension contributions for current employees for the same period. The advance payment concluded in 2019/20. On 30th April 2020 a further advance payment of £6,251k was made covering 2020/21 to 2022/23 and achieving a discount of £385k over the three years compared with making monthly payments.

Bromsgrove District Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Note 38 **Contingent Liabilities**

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events that are not wholly within the Council's control.

The valuation listing for Business Rates was revised in 2017 and there is uncertainty surrounding the impact of this for the new check, challenge, appeal process. A provision has been made for potential Business Rates Appeals based on the known appeals made at year end, no provision has been made for appeals that have not yet been lodged as the Council are unable to make an estimate on the value of what these may be.

The Council manages the Collection Fund and accounts for business rates on behalf of itself, Worcestershire County Council, Hereford and Worcester Fire and Rescue Authority and Central Government. The Council share of the business rate assets and liabilities in 2019/20 was 0% in accordance with the Worcestershire Business Rate Pilot Pool that operated for that year. This compares with 40% in 2018/19. From 2020/21 the share of assets and liabilities will revert back to 40%.

Note 39 **Contingent Assets**

A Contingent Assets is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council.

There are no Contingent Assets as at 31 March 2020.

Bromsgrove District Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Note 40 Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by Cabinet in the annual treasury management strategy. The council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch Ratings Services.

Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used (for example the rating assigned to a secured investment), otherwise the counterparty credit rating is used.

Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty

The Council defines "high credit quality" organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For Money Market Funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.

The credit criteria in respect of financial assets held by the Council are as detailed below:

Credit rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£2.5m 5 years	£2.5m 20 years	£2.5m 50 years	£2.5m 20 years	£1m 20 years
AA+	£2.5m 5 years	£2.5m 10 years	£2.5m 25 years	£2.5m 10 years	£1m 10 years
AA	£2.5m 4 years	£2.5m 5 years	£2.5m 15 years	£2.5m 5 years	£1m 10 years
AA-	£2.5m 3 years	£2.5m 4 years	£2.5m 10 years	£2.5m 4 years	£1m 10 years
A+	£2.5m 2 years	£2.5m 3 years	£2.5m 5 years	£2.5m 3 years	£1m 5 years
A	£2.5m 13 months	£2.5m 2 years	£2.5m 5 years	£2.5m 2 years	£1m 5 years
A-	£2.5m 6 months	£2.5m 13 months	£2.5m 5 years	£2.5m 13 months	£1m 5 years
None	£1m 6 months	n/a	£3m 25 years	£1m 5 years	£500k 5 years
Pooled funds	£2.5m per fund or trust				

Banks Unsecured: call and notice accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies. These investments are subject to the risk of credit loss via a bail-in should the banking regulator determine that the bank/building society is failing or likely to fail.

Banks Secured: covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are exempt from bail-in and are secured on the financial institution's assets, which limits the potential losses in the unlikely event of insolvency.

Government: Investments with local authorities or guaranteed by national governments, investments with multilateral development banks. These are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years. Investments with the DMADF are guaranteed by HM Treasury. Following advice from the Council's treasury advisors, no upper limit was imposed on investments with the DMADF.

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent.

Pooled Funds: Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Debtors

At 31st March 2020, Bromsgrove District Council had no investments held in our call accounts, the Council did hold £1,813k in the Current Account.

The Council does not generally allow credit for customers. An aged analysis of the Council's sundry debtor balances at 31st March 2020 is shown in the table below:

	2019/20 £000	2018/19 £000
Less than three months	553	250
Three to six months	48	5
Six months to one year	30	3
More than one year	49	20
Total	680	278

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Market Risk

Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus of Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments. It has a number of strategies for managing interest rate risk and these are addressed in the Treasury Management Strategy. In 2019/20, the Council had no variable long term investments or borrowings.

Price Risk

The Council, excluding its exposure to the Pension Fund, does not invest in equity shares.

Bromsgrove District Council

Collection Fund Statement

FOR THE YEAR ENDED 31 MARCH 2020

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

2018/19			2019/20		
Business Rates £000	Council Tax £000	Total £000	Business Rates £000	Council Tax £000	Total £000
			Collection Fund		
			INCOME		
	(64,162)	(64,162)		(67,874)	(67,874)
(24,749)		(24,749)	(25,891)		(25,891)
	0	0		0	0
(24,749)	(64,162)	(88,911)	(25,891)	(67,874)	(93,765)
			EXPENDITURE		
			Apportionment of Previous Year (Surplus)/Deficit		
1,741		1,741	(2,881)		(2,881)
1,393	109	1,502	(2,305)	62	(2,243)
313	537	850	(519)	311	(208)
35	88	123	(58)	21	(37)
	37	37		51	51
			Precepts, demands and shares		
12,341		12,341	5,981		5,981
9,873	8,792	18,665	0	9,099	9,099
2,221	44,290	46,511	17,705	46,287	63,992
247	2,992	3,239	239	3,096	3,335
	7,199	7,199		7,955	7,955
			Charges to Collection Fund		
0	0	0	0	0	0
456	222	678	65	318	383
19		19	(2,399)		(2,399)
593		593	190		190
			Payments to General Fund		
121		121	126		126
29,353	64,266	93,619	16,144	67,200	83,344
4,604	104	4,708	(9,747)	(674)	(10,421)
302	(983)	(681)	4,906	(879)	4,027
4,906	(879)	4,027	(4,841)	(1,553)	(6,394)

Bromsgrove District Council

Collection Fund Statement
FOR THE YEAR ENDED 31 MARCH 2020

Note 1 - Council Tax Income

The amount of Council Tax payable is calculated by establishing a 'Council Tax Base'. This is the Council's estimated number of chargeable dwellings expressed in relation to those dwellings in Band D. Once this has been determined, the Council Tax payable for each band is established as follows: (The actual amount payable for each property is also subject to discounts where applicable.)

FOR THE YEAR ENDED 31 MARCH 2020

Band	Valuation	band limits		Calculated number of dwellings	Adjusted number of dwellings	Ratio to Band D	Equated number of dwellings	Council Tax Payable
		£	£	£	£			
	Up to & including	40,000		5	3.40	5/9	1.92	123.89
A		40,001		3,656	2,034.40	6/9	1,356.27	148.67
B		40,001	-	7,219	5,535.40	7/9	4,305.31	173.44
C		52,001	-	8,901	7,521.50	8/9	6,685.78	198.22
D		68,001	-	7,788	6,955.40	9/9	6,955.40	223.00
E		88,001	-	6,824	6,345.90	11/9	7,756.09	272.56
F		120,001	-	3,629	3,429.40	13/9	4,953.59	322.11
G		160,001	-	2,788	2,661.70	15/9	4,436.16	371.67
H	More Than		320,001	327	317.30	18/9	634.60	446.00

Adjustment

Council tax base

FOR THE YEAR ENDED 31 MARCH 2019

Band	Valuation	band limits		Calculated number of dwellings	Adjusted number of dwellings	Ratio to Band D	Equated number of dwellings	Council Tax Payable
		£	£	£	£			
	Up to & including	40,000		5	2.5	5/9	1.43	120.94
A		40,001		3,597	2,010.0	6/9	1,340.03	144.35
B		40,001	-	7,207	5,547.2	7/9	4,314.51	168.41
C		52,001	-	8,810	7,442.8	8/9	6,615.83	192.47
D		68,001	-	7,710	6,944.5	9/9	6,944.48	216.53
E		88,001	-	6,770	6,375.9	11/9	7,792.81	264.65
F		120,001	-	3,584	3,399.4	13/9	4,910.28	312.77
G		160,001	-	2,752	2,621.1	15/9	4,368.46	360.88
H	More Than		320,001	314	306.1	18/9	612.28	433.06

Adjustment

Council tax base

The breakdown above is for Bromsgrove District Council only, below is the total payable for band D equivalent for the district for all Preceptors:

	2019/20	2018/19
	£	£
Bromsgrove District Council	223.00	216.53
Worcestershire County Council	1,260.75	1,212.38
Police and Crime Commissioner for West Mercia	216.66	197.07
Hereford and Worcestershire Fire and Rescue	84.34	81.90
Total Council Tax for non parish areas	1,784.75	1,707.88
Parish Councils (Average)	24.82	24.13
Average Council Tax for the District in parish areas	1,809.57	1,732.01

Note 2 - Non-Domestic Rates

Non-Domestic Rates are organised on a local basis. The Government specifies a rate poundage and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. In 2019/20 the rate poundage was 50.4p (49.3p 2018/19). The reason for the rate poundage reduction was a national revaluation of rateable values effective from 1 April 2017 and the poundage was set to achieve the same national yield. The Council is responsible for collecting rates due from the ratepayers in its area and distributing the amount collected between itself, central government and major preceptors in proportions specified by central government. The Council share is shown in the Comprehensive Income and Expenditure Statement and analysed at Note 13. The total rateable value at 31 March 2020 was £68,616,222 (31 March 2019 £67,678,391).

For 2019/20 The Council was part of the Worcestershire Business Rates Pool where it received a no detriment payment from Worcestershire County Council which why there is no precept amount reflected in the Collection Fund statement on Page 86.

Bromsgrove District Council

Notes to the Financial Statements FOR THE YEAR ENDED 31 MARCH 2020

Glossary

AAA FITCH RATING

Highest credit quality - 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA FITCH RATING

Very high credit quality - 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A FITCH RATING

High credit quality - 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

ACCOUNTING PERIOD

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

ACCRUALS

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed

ASSET

An item having value to the authority in monetary terms. Assets are categorised as either current or non-current:

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
- A non-current asset provides benefits to the Authority and to the services it provides for a period of more than one year and may be tangible e.g. a community centre, or intangible, e.g. computer software licences.

AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.

BALANCE SHEET

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

BORROWING

Using cash provided by another party to pay for expenditure, on the basis of an agreement to repay the cash at a future point, usually incurring additional interest charges over and above the original amount.

BUDGET

The forecast of net revenue and capital expenditure over the accounting period.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

CAPITAL FINANCING

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CAPITAL PROGRAMME

The capital schemes the Authority intends to carry out over a specific period of time.

CAPITAL RECEIPT

The proceeds from the disposal of land or other fixed assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government but they cannot be used to finance revenue expenditure.

CIPFA

The Chartered Institute of Public Finance and Accountancy

COLLECTION FUND

A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates.

COMMUNITY ASSETS

Assets that the Authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

The account of the Authority that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

CONSISTENCY

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's accounts.

CONTINGENT LIABILITY

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

CREDITOR

Amount owed by the Authority for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

DEBTOR

Amount owed to the Authority for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

DEFINED BENEFIT PENSION SCHEME

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

DEPRECIATION

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Authority's fixed assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

DISCRETIONARY BENEFITS (PENSIONS)

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

EQUITY

The Authority's value of total assets less total liabilities.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXPECTED RETURN ON PENSION ASSETS

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

GOING CONCERN

The concept that the Statement of Accounts is prepared on the assumption that the Authority will continue in operational existence for the foreseeable future.

GOVERNMENT GRANTS

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Authority. These grants may be specific to a particular scheme or may support the revenue spend of the Authority in general.

HOUSING BENEFITS

A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by central government.

IMPAIRMENT

A reduction in the value of a fixed asset to below its recoverable amount, the higher of the asset's fair value less costs to sell and its value in use.

INFRASTRUCTURE ASSETS

Fixed assets belonging to the Authority that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

INTANGIBLE ASSETS

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Authority's intangible assets comprise computer software licences.

INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

INVESTMENTS (PENSION FUND)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

LIABILITY

A liability is where the Authority owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

LIQUID RESOURCES

Current asset investments that are readily disposable by the Authority without disrupting its business and are either:

- Readily convertible to known amounts of cash at or close to the carrying amount; or
- Traded in an active market.

LONG-TERM CONTRACT

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

MATERIALITY

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Authority.

NET BOOK VALUE

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

NET DEBT

The Authority's borrowings less cash and liquid resources.

NON-DISTRIBUTED COSTS

These are overheads for which no user now benefits and as such are not apportioned to services

NON-DOMESTIC RATES (NDR)

The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by central government and multiplied by the assessed rateable value of the premises they occupy. In England it is collected by the Authority on behalf of itself, central government and major preceptors. In Scotland it is collected by the Authority on behalf of central government and then redistributed back to support the cost of services.

NON-OPERATIONAL ASSETS

Fixed assets held by the Authority but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

OPERATING LEASE

A lease where the ownership of the fixed asset remains with the lessor.

OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the Authority in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

PAST SERVICE COST (PENSIONS)

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

PENSION SCHEME LIABILITIES

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

PRECEPT

The levy made by precepting authorities by billing authorities, requiring the latter to collect income from Council Tax on their behalf.

PRIOR YEAR ADJUSTMENT

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROVISION

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

PUBLIC WORKS LOAN BOARD (PWLB)

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government can borrow itself.

RATEABLE VALUE

The annual assumed rental of a hereditament, which is used for NDR purposes.

RELATED PARTIES

The definition of related parties for the Council's purposes are deemed to include the Authority's members, the Chief Executive, its Directors and their close family and household members.

RELATED PARTY TRANSACTIONS

The Statement Of Recommended Practice requires the disclosure of any material transactions between the Authority and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

REMUNERATION

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

RESERVES

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE EXPENDITURE CAPITALISED UNDER STATUTE (REFCUS)

Expenditure which ordinarily would be revenue, but is statutorily defined as capital. Examples of REFCUS include grants of a capital nature to voluntary organisations and back pay expenditure capitalised under Secretary of State Direction

REVENUE SUPPORT GRANT

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

STOCKS

Items of raw materials and stores an authority has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TRUST FUNDS

Funds administered by the Authority for such purposes as prizes, charities, specific projects and on behalf of minors.

USEFUL ECONOMIC LIFE (UEL)

The period over which the Authority will derive benefits from the use of a fixed asset.

WORCESTERSHIRE PENSION FUND (WPF)

The Worcestershire Pension Fund is administered by Worcestershire County Council and consists of the County and Districts within Worcestershire together with admitted bodies such as Academy Schools.